



Public Utilities

FORTNIGHTLY

July 6, 1944



A Salute to Public Service

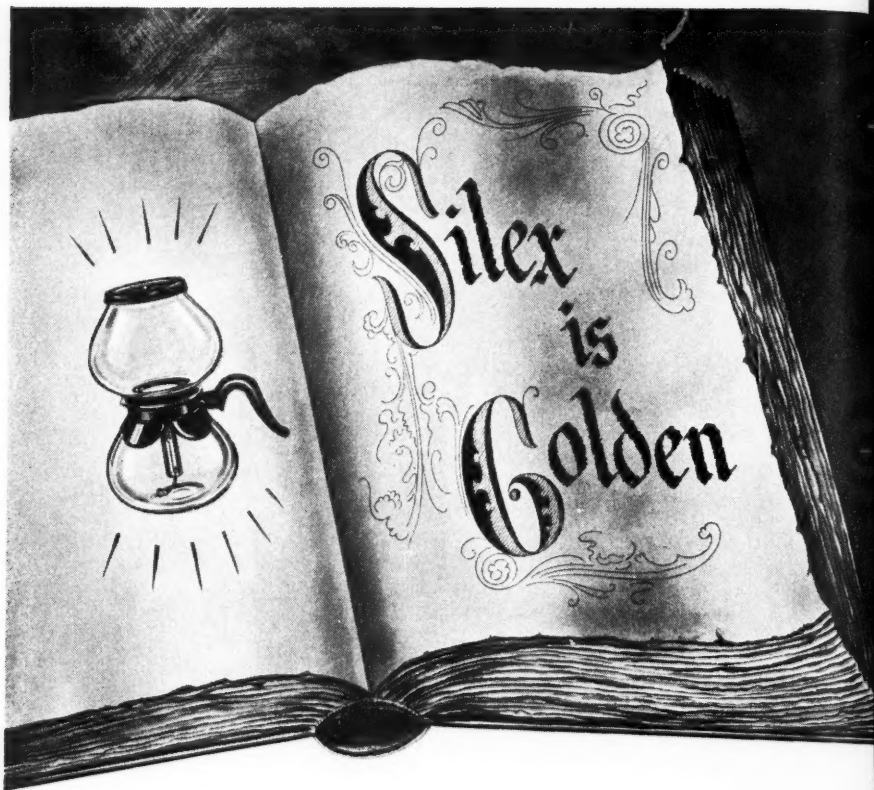
Feature Articles by: EDWARD FALCK

ERNEST R. ACKER

TOM P. WALKER

CHARLES F. MASON

78



GOLD STANDARD! Genuine Silex is the standard by which all coffee makers are judged.

"24-K" PRESTIGE! Silex adds to your reputation for carrying the top brand in every line.

THE REAL THING! No need to say "just as good as Silex." Too many people already know that only coffee makers plainly marked "*Genuine Silex*" can make coffee so clear and full flavored . . . that only *Genuine Silex* has the patented FLAVOR-GUARD filter. And millions more are learning, from Silex advertising.

GOOD AS GOLD in your inventory! Another unmatched Silex feature is the way Silex moves off your shelves.

GOLDEN TOUCH in advertising! Silex national ads dominate the field—in frequency, in number of consumers reached, and in the mouth-watering way they stress Silex coffee goodness, obtainable only with coffee makers marked *Genuine Silex*.

GOLDEN PROSPECTS ahead for you with Silex developments for postwar. Not only important improvements in coffee makers. But sensational new items like the Silex Automatic Electric Steam Iron . . . already proved . . . ready to open up new markets for you the minute peacetime production can be resumed.

Genuine SILEX
GLASS COFFEE MAKER
TRADE MARK REGISTERED U. S. PAT. OFF.

THE SILEX COMPANY • HARTFORD 1, CONN. • Creators of the Glass Coffee Maker Industry

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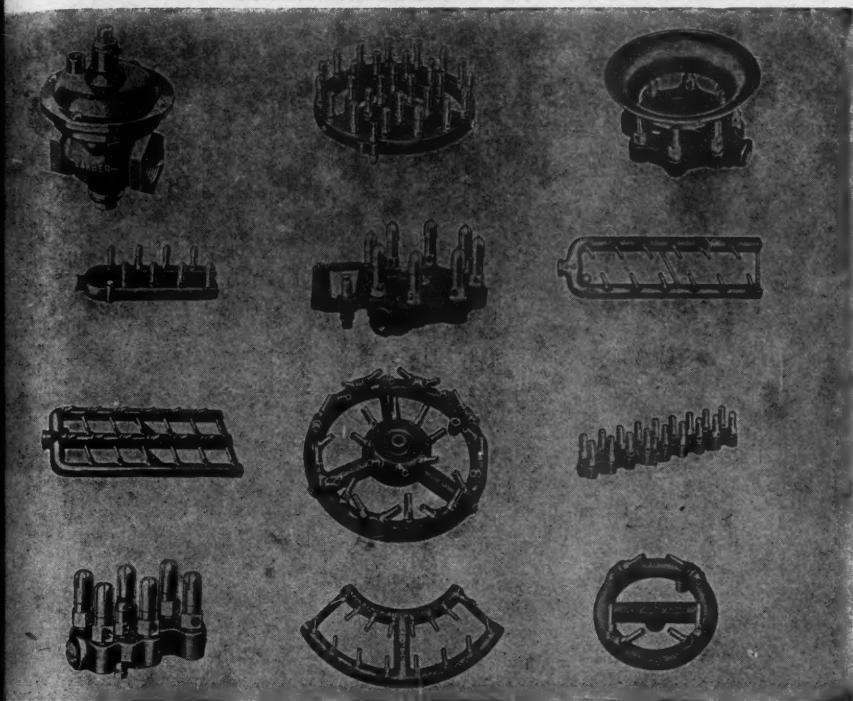
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Barber Burners Do Their Wartime Duty

On hundreds of thousands of gas-burning appliances of all types, now in operation, Barber Burners are today effecting substantial fuel savings, and assuring continuous satisfactory service. Under wartime stringencies, fuel conservation is doubly important, and new appliances and replacement parts are difficult, if not impossible, to obtain. This brings home, with special emphasis, the advantage of having gas appliances which you use, make, sell, or sponsor, equipped with Barber Burners.

Barber is now chiefly engaged on essential parts and products for our combat forces. For whatever purposes Government restrictions permit the sale of our regular products, we are continuing to supply them. With the restoration of normal conditions, Barber will, as always, be well equipped to furnish its customary service to the trade on high quality Burners and Regulators.

We are gas burner specialists, and offer you our engineering and plant facilities for the development and manufacture of burner units for your specific purposes. Write for Catalog illustrating and listing many types of burners for Appliances, Gas Burners for Furnaces and Boilers, Regulators, etc.

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BARBER BURNERS

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Public Utilities Fortnightly



VOLUME XXXIV

July 6, 1944

NUMBER 1

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Q This magazine is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

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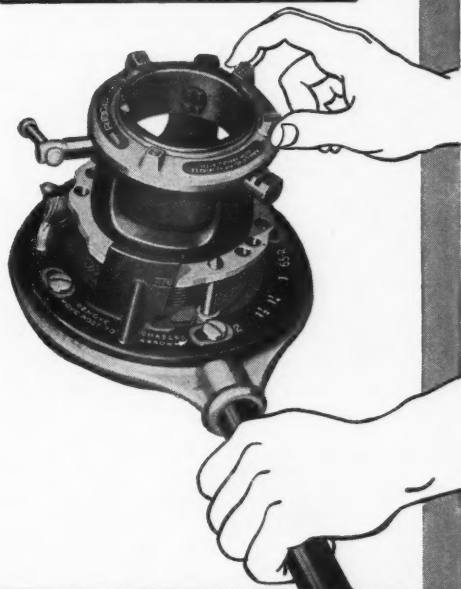


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Pages with the Editors

THIS issue is dedicated to a recognition of the splendid war records of three great civilian public utility industries: gas, electricity, and telephone. We call it: "A Salute to Public Service." We wish we had the space and facilities to include also recognition of other great branches of the public utility family who have performed equally well in the call to the colors. The great American waterworks systems, the overworked transit systems which are straining every effort to bring the working men and women of the home front to and from their important tasks in war industries, to mention only two.

THE one man probably best qualified to speak on this subject from the standpoint of all the utilities is the Director of the Office of War Utilities of the War Production Board. He is quite a young man and, as far as his present post is concerned, he is still somewhat new at his job—even for a war job. But EDWARD FALCK, whose article "Mobilizing the Utilities for War" opens this issue, is actually a veteran at the task, despite his youth and recent elevation to head OWU.

BORN in New York city in 1911 and educated at Columbia College (AB, '30) and Columbia



© Chase-Statler Photo

EDWARD FALCK

War taught all American public utilities to pull together.

(SEE PAGE 3)



CHARLES F. MASON

Telephone employees have shown themselves true soldiers of public service.

(SEE PAGE 29)

University School of Engineering (BS, '31; MS, '32), Mr. FALCK broke into the utility business via the public ownership route. He joined the newly organized Tennessee Valley Authority in 1933 and was its director of rates and research. In 1937 he switched to the privately owned branch of the industry, becoming assistant to the president of Consolidated Edison Company of New York city. Thus, FALCK is in the unique position of being an industrial hybrid, which has served him in good stead when the inevitable claims were suggested, in a Washington atmosphere surcharged with suspicion, by rival groups that he favored public over private ownership, or vice versa. Mr. FALCK knows both sides.

It was in 1941 that Consolidated Edison loaned FALCK to the WPB, where he found his friend and former TVA partner, J. A. Krug, head of the old power branch. When this later became the power division, FALCK served as assistant deputy director general for distribution. In 1943 the present Office of War Utilities was established with J. A. Krug as its director and his "faithful Achates"—to wit: EDWARD FALCK—became Krug's deputy director. It was only a few weeks ago that Krug left WPB to join the Navy in which he is now a Lieutenant Commander. FALCK became the new director,

HIGH primary air temperatures

THE HOTTER THE BETTER

with RILEY PULVERIZERS

A few of the Public Utilities using Riley Pulverizers

Edison Elec. Illum. Co.
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Lynn Gas & Elect. Co.
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Hartford Electric Lt. Co.
Hartford, Conn.

Connecticut Power Co.
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Cape Fear Station

Savannah Electric Co.
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Oklahoma Gas & Electric Co.
Harrah, Okla.
Ponca City, Okla.

Southern Ind. Gas & Electric Co.
Evansville, Ind.

Union Electric Co.
Venice Station
Cahokia Station
Ashley Street

Iowa-Illinois Gas & Electric Co.
Davenport, Iowa

Central Ohio Lt. & Power Co.
Bluffton, Ohio

Interstate Power Co.
Dubuque, Iowa
Clinton, Iowa

Otter Tail Power Co.
Canby, Minn.

When using Riley Pulverizers, there is no need to temper primary air as a precaution against explosion in the pulverizer or classifier. There has never been an explosion in a Riley Pulverizer.

The advantages of supplying high temperature primary air to pulverizers, particularly when high moisture coal is used, is generally recognized. When air preheaters are used, efficiency is decreased if pulverizer characteristics demand reduction of primary air temperatures by tempering with room air. One of the main reasons for limiting the temperature of primary air entering a pulverizer is to prevent explosions in or other damage to the pulverizer.

With Riley Pulverizers there is no necessity for reducing primary air temperatures as a precaution against explosion because the velocity of travel of the coal and air mixture is at all times greater than the velocity of flame propagation. Preheated air can be used without tempering. Air temperatures above 600 degrees can and have been used with entirely satisfactory performance.



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STEEL-CLAD INSULATED SETTINGS • FLUE GAS SCRUBBERS

RILEY

TOKER CORPORATION, WORCESTER, MASS.

CHARLES F. MASON, whose article on the great work of the telephone industry during the present war begins on page 29, is a new contributor to the *FORTNIGHTLY*, but a well-known and respected figure in the telephone field where he is a veteran of both Bell and independent company experience, and therefore well qualified to talk about both branches of that industry. MASON was born in 1882 in the little town of Leamington, Warwickshire, England, and came to New York city as a child. Following the Horatio Alger formula, he started work as a Postal Telegraph messenger boy. In 1907, when the late Theodore Vail was perfecting the organization of the American Telephone and Telegraph Company, MASON followed his Postal Telegraph boss to San Francisco where the latter was made vice president and general manager of Bell interests on the West coast. MASON continued with the Bell organization until 1924, by which time he had become manager of the southern division of the Pacific Telephone & Telegraph Company. In that year MASON organized an independent telephone property which has since become the largest independent telephone company in the United States — the Associated Telephone Company, Ltd., serving near Los Angeles. Last year he was elected president of the United States Independent Telephone Association.



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TOM P. WALKER

The war has given the electric power industry opportunity for unity.

(SEE PAGE 24)

REPRESENTING the electric power industry in this special featured issue is TOM P. WALKER, president of the Council of Electric Operating Companies, with headquarters in Washington, D. C. Born in Passaic, New Jersey, in 1891, MR. WALKER started in as a youngster reading meters in 1910 with the old

Haverhill (Massachusetts) Gas Light Company, of which he eventually became manager. In 1922 he went South to become manager of the Baton Rouge (Louisiana) Electric Company, and by 1930 had worked up through various South and Southwest utility connections to become president of the Gulf States Utilities Company (Beaumont, Texas), and director of Engineers Public Service Company, Inc. He served as an AEF Army officer in World War I (Croix de Guerre) and took his present post when World War II broke out.



ERNEST R. ACKER

Gas has fired the crucible that furnished many of America's war weapons.

(SEE PAGE 16)

JULY 6, 1944

ERNEST R. ACKER, whose article on the gas industry begins on page 16, is another newcomer to these pages. A graduate of Cornell University ('17), MR. ACKER entered the Army Engineers as a Second Lieutenant in World War I. After the war, he became identified with his present company as a cadet engineer. Through a series of subsequent promotions within that organization, MR. ACKER became president and general manager of Central Hudson Gas & Electric Corporation in 1932, and still performs those duties. Always active in the affairs of both the American Gas Association and the Edison Electric Institute, MR. ACKER was elected president of the former group at its national convention in St. Louis last October.

THE next number of this magazine will be out July 20th.

The Editors

HERO without GLORY



Impossible to calculate is America's debt to the public utilities, whose wartime work has been relentlessly carried on in spite of continued obstacles. Manpower shortages, material shortages, shipping delays . . . none of these has deterred the industry from its job of producing and distributing the power so crucially needed to arm the United Nations. Take-it-for-granted Americans should indeed pause to salute an industry which seeks no honor except that implicit in a job well done.

Remington Rand
BUFFALO 5, NEW YORK

Remington Rand is proud of its contribution to the present efficiency of public utilities, through its business machines, record systems and office supplies, together with the expert technical advice of specialists skilled in accounting, bookkeeping, tabulating, control systems, and general office methods. Our assistance is now, as always, available to all public utility executives faced with mounting office work and a shrunken office staff.



In This Issue



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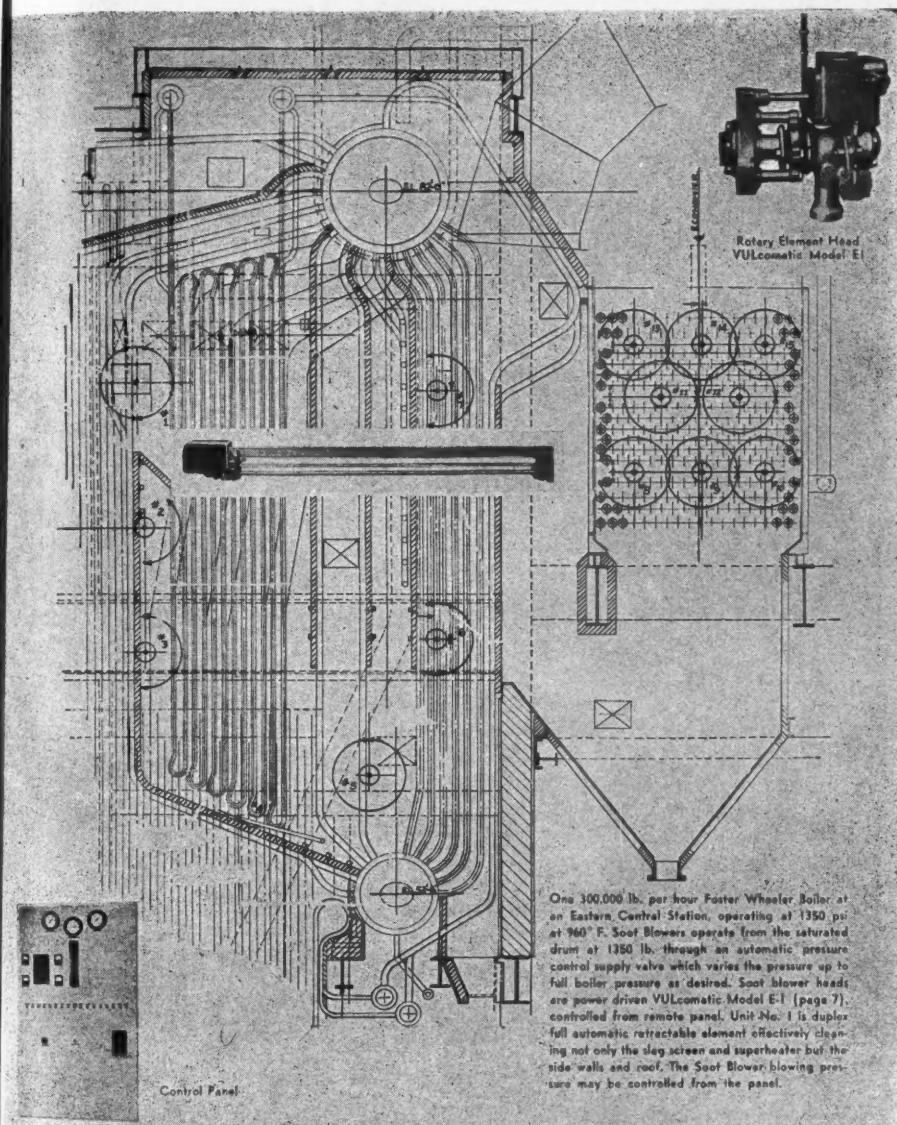
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VULCAN ENGINEERED SOOT BLOWER INSTALLATIONS



The new VULCAN catalog fully describing VULCAN equipment appears in the 1944 Sweets, and a copy is available on your request.

VULCAN SOOT BLOWER CORPORATION, DU BOIS, PENNA.

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Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE



JOHN W. BRICKER
Governor of Ohio.

"A nation which builds its own financial house upon the shifting sand will be too weak to help build an international house upon a solid rock."

TOM M. GIRDLER
Chairman, Republic Steel and Consolidated Vultee Aircraft corporations.

"Repeal taxes [after the war] which have the primary objective of social reform and enact taxes which will encourage, not penalize, venture capital."

J. CLIFFORD FOLGER
President, Investment Bankers Association of America.

"In the last ten or fifteen years people haven't talked about going into business. They just want an annuity. Everyone desires a mortgage on Uncle Sam."

DONALD M. NELSON
Chairman, War Production Board.

"Morale is not the responsibility of government alone. It is equally the responsibility of industry and of labor and of every other organized group in American life."

DONALD R. RICHBERG
Former head, National Recovery Administration.

"If we resume civil warfare as the means of settling labor disputes as soon as we finish fighting foreign foes, no program of reconversion or reemployment will accomplish its aims."

ERIC A. JOHNSTON
President, United States Chamber of Commerce.

"Public works should be blueprinted before the war ends. They should not be adopted solely for unemployment relief unless a depression becomes desperate. They should be adopted as needed, and as finances can afford them."

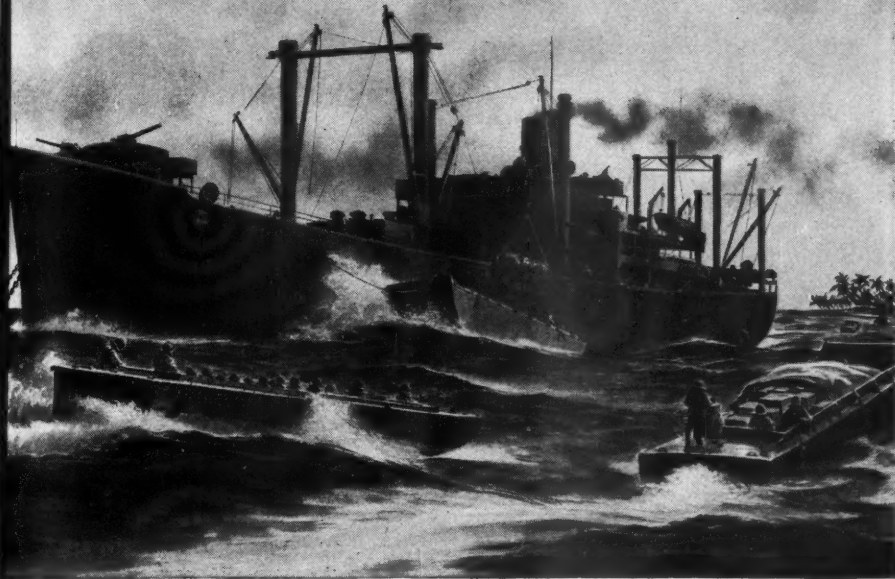
F. LEE TALMAN
Executive vice president, Transcontinental & Western Air, Inc.

"I venture the forecast that in any future war the United States will have no more than a few weeks in which to prepare for total war. Any nation which fails to maintain adequate defenses in the future may perish before those defenses can be created."

JAMES V. FORRESTAL
Secretary of the Navy.

"I submit that the reading of history, ancient or modern, or even within the limits of our own generation, gives no warrant for the assumption that permanent world peace is to be come by except at great pains and effort. It cannot be arrived at on a unilateral basis. Disarming ourselves to permit the international thugs to arm does not suffice."

Warehouses that Go to Sea



NORDEN BOMBSIGHTS—Years of experience in precision manufacturing are enabling Burroughs to produce and deliver the famous Norden bombsight—one of the most precise instruments used in modern warfare.

★ ★ ★

FIGURING AND ACCOUNTING MACHINES are also being produced by Burroughs for the Army, Navy, U. S. Government, Lend-Lease and business enterprises whose needs are approved by the War Production Board.

To supply our far-flung forces in the vast Pacific, Uncle Sam's provision ships are keeping appointments with naval task forces and calling at remote island bases dispersed over thousands of miles of enemy-infested waters.

These floating warehouses are stocked with supplies of more than 12,000 different items . . . food and clothing, engine parts and hardware, radio and electrical equipment, pharmaceuticals and medical supplies . . . a multiplicity of things constantly needed by fighting ships and fighting men.

The thickness of the ship's bulky supply list suggests the tremendous amount of work required to procure, assemble and distribute these items—work that involves countless hours of careful figuring and voluminous, up-to-the-minute accounting records.

The figures and records that control the smooth flow of supplies through mill and factory, over railroad and highway, in and out of strategic shipping centers, are furnished by statistical and accounting machines. Employed in this work are thousands of the fast, accurate machines that Burroughs builds for war industries, government offices and the various branches of the armed services.

BURROUGHS ADDING MACHINE COMPANY • DETROIT 32

Burroughs

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EDITORIAL STATEMENT
The Hartford Daily Courant.

"There are phases of our administrative government that at the present time are undistinguishable from those of the totalitarian state. For some of this Congress must assume the blame because of its docile rubber stamping for nearly a decade."

J. C. THIRLWALL
*Transportation engineer, General
Electric Company.*

"Chile and Brazil are electrifying their state railways as rapidly as possible, since fuel is difficult to obtain while water power is cheap and plentiful. Argentina has a more complex problem because her sources of water power are some distance from the coast."

JAMES C. BONBRIGHT
*Chairman, New York Power
Authority.*

"The agencies that have had occasion to fight the menace of inflation are faced with a dilemma. Their very object is to keep prices from going up. Yet their very success in doing so presents them with the difficulty that the low prices, with relation to incomes, give to consumers with redundant incomes an excess purchasing power that is difficult to control. It is a problem in which OPA has been only partially successful."

CORDELL HULL
Secretary of State.

"If we are to furnish employment to people who should have it and who are entitled to it, if we and other important parts of the world are to go forward, we must increase production, distribution, and consumption. If we expect to sit back while each country makes itself a separate compartment in the economic world, as we did between these two past wars, we will find people employed in some localities and very much out of employment in others."

EDITORIAL STATEMENT
Wisconsin State Journal.

"With a word [kakistocracy] from the ancient Greek and an example from the modern Washington, Representative Lyle Boren has shown how far and for what reason this latter day government of bureaucrat, board, and commission has fallen from the American ideal. For it is not a government of law, but a government of whim and vengeance, not the administration of humanitarianism it has proclaimed itself, but a rule of selfishness and perpetuating greed."

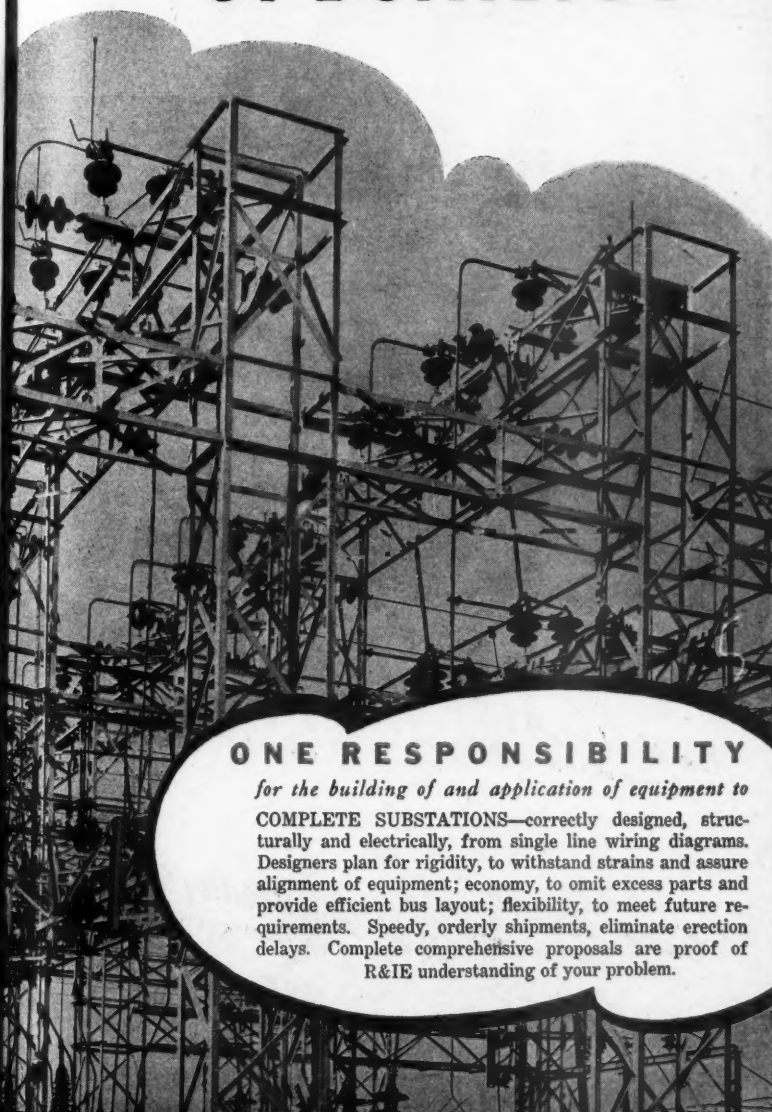
DANIEL BELL
Associate editor, New Leader.

"What this story [of the Arabian pipe-line plan] indicates is that America is in the thick of the imperialist scramble. To our spheres of influence in South America and China, we have added the Middle East. The Mediterranean sea lanes and the South Atlantic and African air lanes are now becoming national life lines and they will have to be protected. To a 2-ocean Navy we will have to add a 3-ocean Navy—which would please our powerful Navy bureaucracy. . . . We are walking into a new political cockpit which may wind up as World War III."

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for the building of and application of equipment to

COMPLETE SUBSTATIONS—correctly designed, structurally and electrically, from single line wiring diagrams. Designers plan for rigidity, to withstand strains and assure alignment of equipment; economy, to omit excess parts and provide efficient bus layout; flexibility, to meet future requirements. Speedy, orderly shipments, eliminate erection delays. Complete comprehensive proposals are proof of R&IE understanding of your problem.

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IN CANADA, Eastern Power Devices, Ltd., Toronto

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Availability 99%
FOR ONE YEAR'S OPERATION

On the line-96.9%
OF TOTAL HOURS IN ONE YEAR

Forced Outage-16 hrs.
IN 21 MONTHS OF OPERATION

Availability-96.1%
FOR ONE YEAR'S OPERATION

On the line-97%
OF TOTAL HOURS IN ONE YEAR

Forced Outage-1%
IN 17 MONTHS OF OPERATION

On the line-98.2%
OF TOTAL HOURS IN ONE YEAR

8 Months
WITHOUT A SHUT-DOWN

On the line-99%
OF TOTAL HOURS IN 11 MONTHS

Availability 96%
FOR ONE YEAR'S OPERATION

wartime performance of C-E units

One of the more impressive chapters of American industry's response to the war is certain to be written about the performance of the country's public utilities. For they have not only successfully met the enormously increased power demands of suddenly expanded industries, but they've also been able to supply all civilian needs despite the abnormal growth of many population centers.

This accomplishment is a composite result of several factors:—the traditional foresight of the utilities in planning additional capacity to care for normal growth before the need becomes acute;—the capability of utility management and personnel;—the reliable operation of power generating equipment.

Typical examples of the contribution of C-E Steam Generating Units to this record are given on the opposite page. Each statement is a brief summary of the report of a utility company on the wartime performance of its C-E Steam Generating Units. All of these units are serving industrial areas where uninterrupted service is vital to the ultimate victory of the United Nations.

A-754-A

COMBUSTION ENGINEERING



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Cardineer—now available in *four different models*. Keeping office records in wartime demands equipment best suited to the job. To save manpower—to speed work—to conserve space—to promote contentment among employees, use the Cardineer.

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the day when economy of operation may be the difference between profit and loss. So, look ahead to postwar conditions. Get prepared *now*.

Cardineer holds up to 15000 cards for quick posting or instant reference. No eye-strain—greatest control—lowest cost. Choose the model best suited to your needs. Phone or write for literature. Ready for *immediate* delivery.

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DIEBOLD ARMOR
★ FOR AMERICA'S ARMED FORCES ★

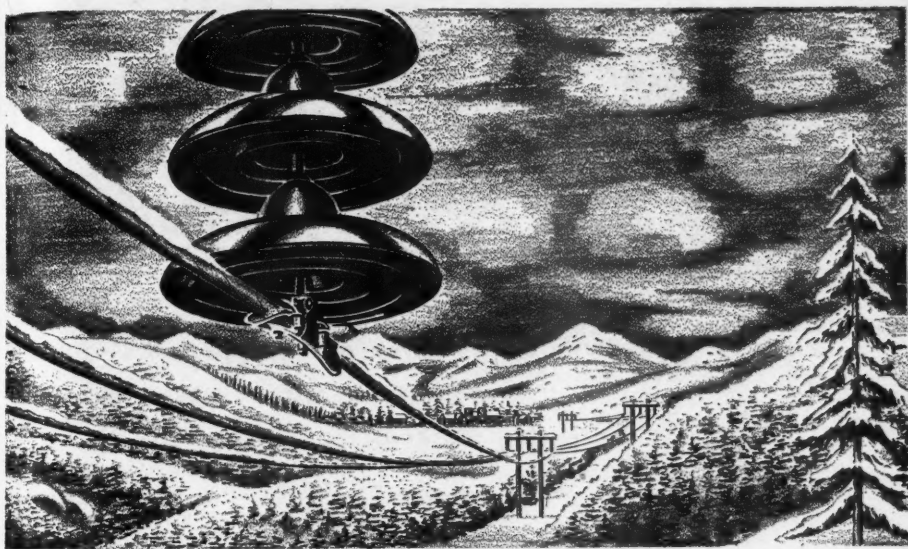
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"Systems to Fit the Routine"
CARDINEER **TRADEX** **FLEX SITE**
Rotary File Vertical Visible File Visible Book
READY FOR IMMEDIATE DELIVERY

Available when victory comes—Safes, Money Chests,
Electric Rekordesk Safes, Bank Vaults, Office Accessories

ASK FOR YOURS

Studies in time-money saving are available as follows: check and pin on your letterhead; Inventories ☐ Costs ☐ Payroll & Personnel ☐ Plant & Equipment ☐ Purchases ☐ Production ☐.



One Idaho Mine Produces Over Half the Nation's Supply of Strategic Tungsten

IDAHO is making one of the most notable contributions of any state in the Union in the production of vital war metals.

In February of 1941, when the nation needed it most, a great discovery was made in the remote, mountainous area of west central Idaho. It was the discovery of a huge body of scheelite, an ore from which tungsten is extracted.

Just seven months later the first shipments of concentrate were made from this important mine.

Today the mine, owned and operated by the Bradley Mining Co., is the source of over 50 per cent of the tungsten produced in America, and in addition is the largest producer of antimony in the country.

In the latter months of 1943, Idaho Power Company built a 106-mile electric transmission line through the mountains from its interconnected system to the mine, and is furnishing electricity which permits maximum production and development of the mine and mill.

* * * *

In the territory served by Idaho Power Company there has been an ample and adequate supply of electric power to meet all wartime requirements. The facilities for generating and distributing power, constructed by Idaho Power Company in times of peace, have stood this great state in good stead.

IDAHO POWER
A CITIZEN WHEREVER IT SERVES

AGRICULTURE, MINING AND LUMBERING TOGETHER WITH RELATED INDUSTRIES, GIVE IDAHO A BALANCED ECONOMY



Plan Now— while you have the time!

on postwar projects of
reducing operating costs and
increasing Water Department profits . . .

An example of the amount of time and effort required in pioneering improvements is shown in the case of Penn Yan, N. Y., where Mr. Welker, Superintendent, Light, Water and Sewers has been actively engaged since 1931 in making reductions in unaccounted-for water. A water leak survey in 1931 was later followed by improvements in the use of water at the electric and sewage disposal plants, and the purchase of a leak detector. In 1938 a system of meter testing and repairing was started, which, between then and 1941, effected still further water economies.

The meter testing and repair program alone resulted in a reduction of unaccounted-for water from 36.5% of the total pumped to 29.0%—with an accompanying increase of revenue from \$20,728 to \$23,850. Still further improvements are anticipated.

Now—while you have the time—take advantage of the experience of operators who, like Mr. Welker, have worked for years to find means of reducing losses. By proper planning now you can be ready with worthwhile postwar projects that will do for your department, in a shorter time, what it has taken others years to develop; and you will be helping to do your share by giving work to returning soldiers.

In such planning, Trident representatives will be glad to assist you.

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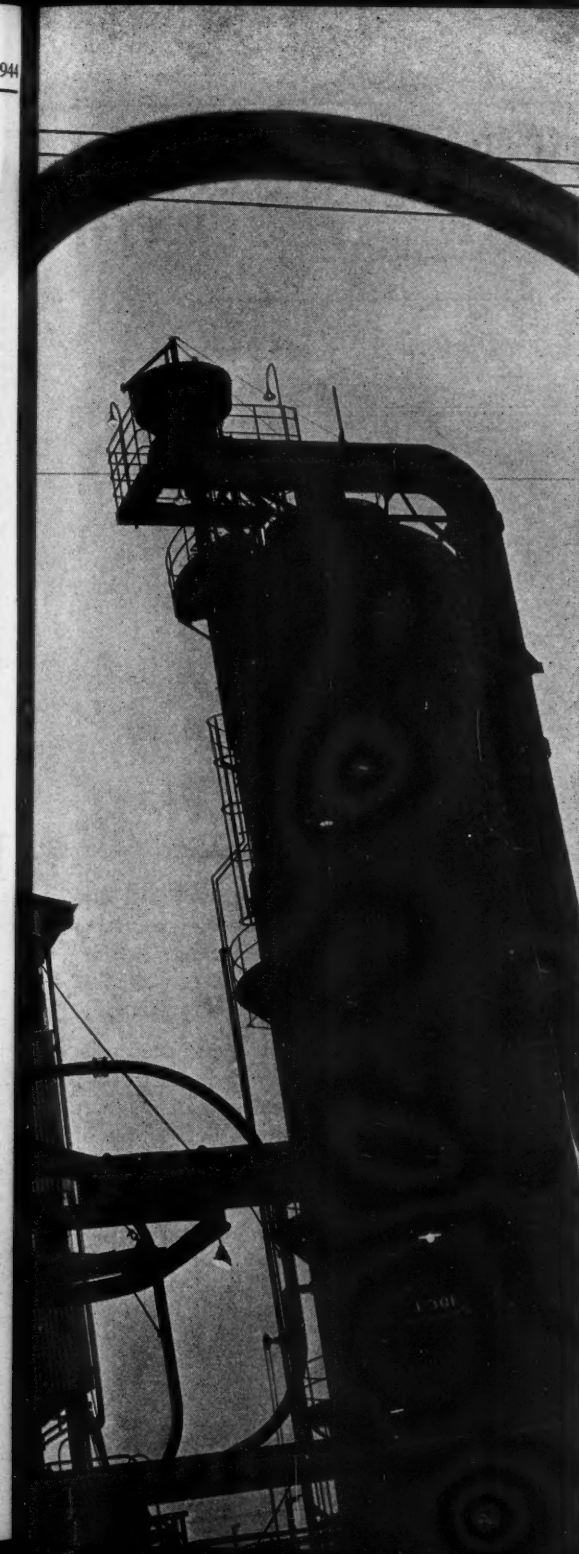


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Precision work quickly accomplished—today it is continuing to win for the men and women of Consolidated Steel every basic government industrial award, tomorrow it will be devoted to the construction needs of peacetime America. Inquiries looking to future construction are solicited. Address the president.

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WHAT effect is the war production program having on your bill distribution? Analysis of customer usage data will provide the answer to this important question. In addition to a knowledge of the existing situation, certain trends may be disclosed, a knowledge of which may be of considerable importance to you under circumstances where the picture is rapidly changing.

The One Step Method of Bill Analysis is ideally suited to meet the needs of this problem. It does away with the necessity for temporarily acquiring, training and supervising a large clerical force. Our experienced staff plus our specially designed Bill Frequency Analyzer machines can turn out the job in a few days and at the cost of only a small fraction of a cent per item.

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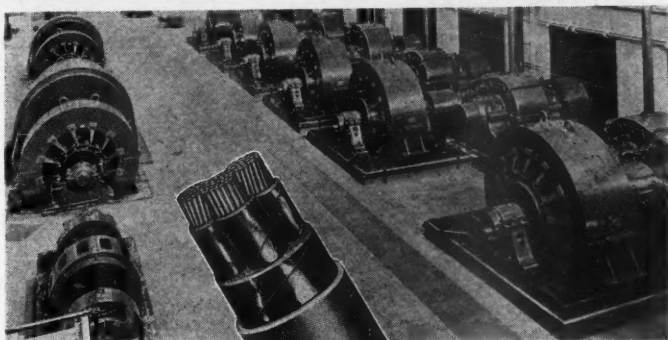
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● ● ● following these suggestions. They will assure your cashing-in, regularly, on your "CLEVELANDS" built-in ruggedness and productive performance.

● Lubricate thoroughly and regularly. When lubricating, make certain that all fittings are open and all bearings taking grease. Be sure to replace any broken or damaged fittings. ● When making spot lubrication, check machine for loose or broken bolts, broken strands in cables, worn or broken links in chain and worn brake and clutch facings, and replace at once all damaged parts. ● Check Crank Case Oil level. Fill to full mark. ● Check coolant in radiator. If contaminated, it should be changed. ● Check carefully all bucket rooters for sharpness. Renew when dull. This is exceedingly important and will pay dividends. ● Keep Conveyor belt tension as low as possible without allowing belt to slip. ● Check fan belt for tension . . . water pump and radiator for leaks. ● Examine all wiring. See that connections are tight, wires clean and not damaged. ● Operate digger with Boom Level when desired depth is reached. Never "crowd" machine ahead so that it "labors."



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THE ROCHESTER TELEPHONE CORPORATION is proud of its position as a link in the chain of Public Utilities serving the war effort in Central Western New York.

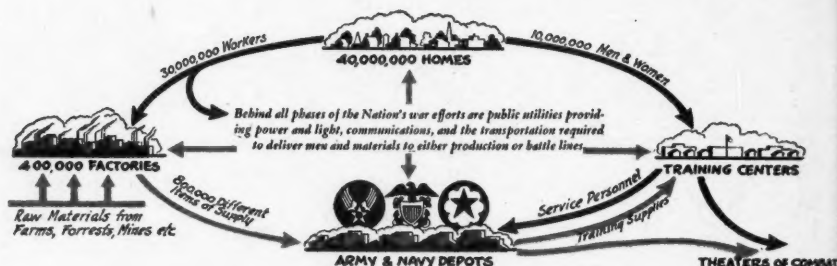
It is proud, also, of the spirit of co-operation on the part of the public it serves in the graceful acceptance of the many necessary wartime restrictions to which telephone service is temporarily subjected.

1 1 1

**ROCHESTER
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No Army-Navy "E" flags fly over electric generating stations, yet no Army-Navy "E" pennant could fly over any war plant without the continuous delivery of electric power and light.

Electric power is the energy with which machine tools used by American workers fashion industrial raw materials into the hard-hitting weapons needed by our fighting men to smash their way to Peace with victory. Electric power must be delivered at the snap of a switch *where and when* needed twenty-four hours every day.

Keeping electric power *continuously* on tap at the switches in every industry and in every home is the tremendous, exacting job being done by the electric light and power

companies. Last year 186 billion kilowatt hours of electric power were delivered to customers. This was twice the amount of power delivered before America began to prepare for war.

We of Exide are proud not only of the fact that our products are sparking the war machines attacking the enemy, but we are doubly proud of the fact that Exide Batteries are so widely used by the industry which delivers the vital power necessary to build those war machines.

THE ELECTRIC STORAGE BATTERY COMPANY, Philadelphia 32
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IN WAR OR PEACE THE NATION'S INDUSTRY



In 1938, after fifty-six years of operation, 93 billion kilowatt hours of electric energy were delivered to American homes and industries. Today, five years later, twice that amount of power or 186 billion kilowatt hours are delivered. Thus, as much new generating

capacity was added in five years as had been installed during the previous fifty-six years. Since 1891, Exide Batteries have earned a reputation for dependability in central station operations. That is why they are the preference of so many electric utility companies.



Exide

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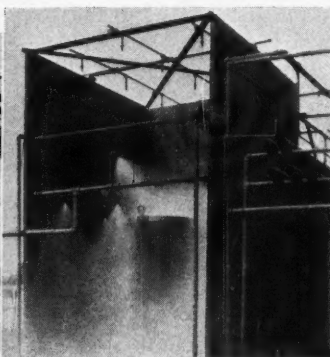
DEPENDS ON CONTINUOUS LIGHT AND POWER

— GRINNELL MULSIFYRE —

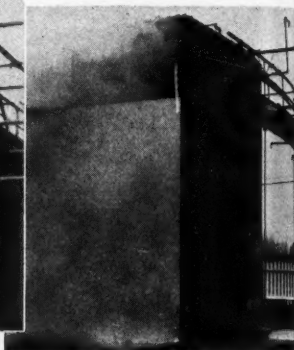
*Snuffs Out Oil Fires with
Mulsifying Spray of Water!*



A STUBBORN OIL FIRE . . .



WHAT MULSIFYRE SPRAY
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FIRE OUT, WITHIN 5 SECONDS!

In generating plants, switch yards, substations . . . wherever oil-filled apparatus or lubricating systems are employed . . . Grinnell Mulsifyre Systems now give permanent, positive protection against oil fires. The instant the system is turned on, either manually or automatically, a driving spray of water strikes the oil . . . churns the surface into a non-flammable emulsion . . . smothers flames within a few seconds! The water soon separates itself from the oil as the emulsion breaks down.

This simple, positive method of extin-

guishing oil fires was developed and patented by Grinnell . . . and is incorporated in Mulsifyre Systems by means of a special discharge nozzle, the Grinnell Projector. Since its introduction, "Mulsifyre" has been accepted internationally by utilities and industries . . . and by the U. S. Navy for bilge-protection of oil-burning ships.

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AUTOMATIC SPRINKLER FIRE PROTECTION

We're sending in our card!



The average daily maximum temperature at Miami was only 88.3° F. during the past 44 years. The temperatures in Miami have never been as high as those reached every year in the industrial centers of the north.

After the war, join the thousands of people who already have discovered the delights of the low-cost summer vacations on Florida's beaches.

TO the Lands of Promise that lie to

the south — where opportunities for post-war expansion are unequalled — point the broad, palm-bordered highways of Florida.

South America — Africa — the Caribbean area — will be the flourishing new markets of the post-war era. The gateway to them is Florida — with all the transportation facilities of air, rail and water necessary to serve these markets.

We of the utilities industries have a duty to our manufacturers: — to bring to their attention the potentialities of the State of Florida for their display rooms, warehouses and assembly plants. The plus business obtained through these Florida facilities must bring added expansion at home.

Tell them about it! We will gladly supply any information requested. Manufacturers also are invited to write the Manager of our Industrial Department for complete details.



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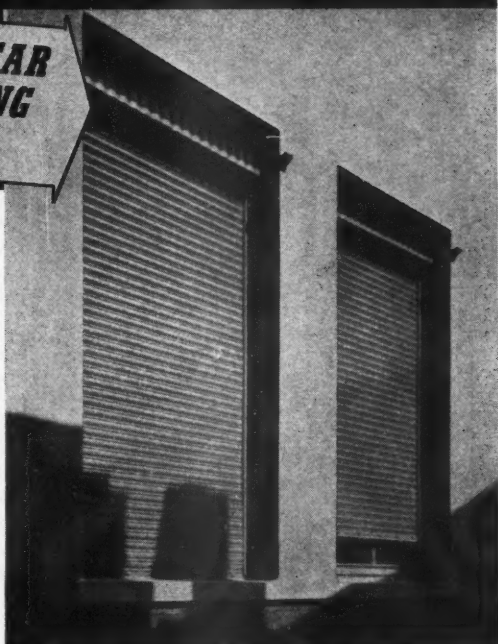
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Install KINNEAR STEEL ROLLING FIRE DOORS

Picture yourself helplessly watching vicious flames leap through doorways and windows of your own plant, engulfing valuable machinery and materials. Even worse, picture yourself thinking, "All this *might* have been prevented"—prevented by the installation of Kinnear "Akbar" Steel Rolling Fire Doors. These efficient doors remain coiled overhead out of the way until fire starts—then they close quickly, automatically and safely. By cutting off drafts and blocking the spread of flames, they confine fire to smaller areas, overcoming one of the most outstanding causes of heavy fire loss. Kinnear "Akbar" Rolling Fire Doors, approved by Underwriters' Laboratories, have saved as much as 33% of their cost annually in reduced insurance rates! A safety device controls their downward motion, protects persons passing underneath. Emergency openings after automatic closure is simple; there is no possibility of being trapped on either side. Kinnear Rolling Fire Doors are built any size for any opening—can also be equipped for regular daily service, with either motor or manual control. Eliminate the possibility of fire ravaging *your* plant because of lack of proper protection at

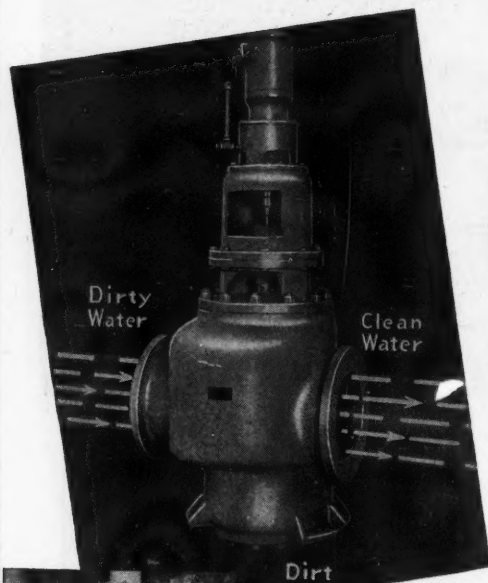


doorways, windows and corridors. Write for complete details on Kinnear "Akbar" Steel Rolling Fire Doors today. The Kinnear Manufacturing Co., 2060-80 Fields Ave., Columbus 16, Ohio.

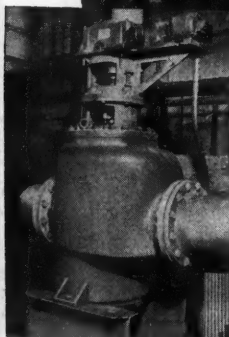
SAVING WAYS IN DOORWAYS

KINNEAR ROLLING DOORS

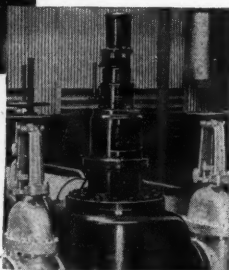
Service water clears itself in



How the Elliott self-cleaning strainer is installed. Water goes straight through, foreign matter caught and ejected downwards.



One of three large self-cleaning strainers for bearing cooling water, at a central station.



One of five Elliott 14" self-cleaning strainers in a hydro plant. They protect fire pumps, transformer cooling and generator cooling coils.

ELLIOTT SELF CLEANING STRAINERS

Without attention beyond occasional supervision, this unit will strain incoming water, remove and eject abrasive or other foreign matter, and deliver clear water for service use.

The straining process is continuous. A geared motor slowly rotates a sealing box which blocks off each straining section in turn. Back-flow of water then flushes the isolated straining section, driving the entrained impurities out through the bottom of the unit, and the cleared section again takes up its straining job.

The only bearing exposed to grit-laden water is the lower bearing of the rotating element. This is a cutless rubber bearing, immune to damage and easily replaceable should it become necessary. Elliott self-cleaning strainers serve many utilities especially where large quantities of relatively fine dirt must be removed.

Where manual cleaning is permissible, Elliott twin strainers will also give non-stop service, one cylinder always being in operation while the other is shut down for removal and dumping of the strainer basket.

Use our wide experience in meeting your straining needs. Talk it over with the Elliott man.



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Utilities Almanack

Due to wartime travel restriction, conventions listed are subject to cancellation.



JULY



6	T ^a	† Southwestern Chamber of Commerce Institute will hold meeting, Dallas, Tex., July 23-29, 1944.
7	F	† International Association of Electrical Inspectors, Northwestern Section, will hold session, Olympia, Wash., Aug. 21-23, 1944.
8	S ^a	† International Association of Electrical Inspectors, Southwestern Section, will hold meeting, Modesto, Cal., Aug. 28-30, 1944.
9	S	† American Institute of Electrical Engineers will hold Pacific Coast technical meeting, Aug. 29-Sept. 1, 1944.
10	M	† American Water Works Association, Western Pennsylvania Section, will hold convention, Pittsburgh, Pa., Sept. 13, 14, 1944.
11	T ^u	† American Water Works Association, Rocky Mountain Section, will hold convention, Denver, Colo., Sept. 21, 22, 1944.
12	W	† American Public Works Association will hold Public Works Congress, St. Paul, Minn., Sept. 24-27, 1944. 
13	T ^a	† National Safety Congress will convene, Chicago, Ill., Oct. 3-5, 1944.
14	F	† American Gas Association will hold annual meeting, Chicago, Ill., Oct. 5, 6, 1944.
15	S ^a	† United States Independent Telephone Association will convene for session, Chicago, Ill., Oct. 10-12, 1944.
16	S	† International City Managers Association will hold annual conference, Chicago, Ill., Oct. 12-17, 1944.
17	M	† American Water Works Association, Southwest Section, will convene, Austin, Tex., Oct. 17-19, 1944.
18	T ^u	† American Water Works Association, Missouri Valley Section, will convene Kansas City, Mo., Oct. 23, 24, 1944.
19	W	† American Society of Civil Engineers opens meeting, Cleveland, Ohio, 1944.



H. Armstrong Roberts

Salute to Public Service

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Public Utilities

FORTNIGHTLY

VOL. XXXIV; No. 1



JULY 6, 1944

Mobilizing the Utilities for War

Through improved design and engineering practice, through wide interconnection and coördination of facilities, through unique resourcefulness in overcoming the countless handicaps which war conditions impose, the utility systems, says the author, have made good their pledge that service would never be too little or too late.

By EDWARD FALCK

DIRECTOR, OFFICE OF WAR UTILITIES

THE war on the home front is epitomized by the battle for production. That battle is being won and the victory will prove decisive in the great military struggle which still lies ahead.

The War Production Board was created for the purpose of serving as a sort of general staff to direct the battle for production. The Office of War Utilities functions within the War Production Board through five operating divisions responsible for power, manufactured gas, natural gas, water, and communications. In addition to these

operating divisions, there are four staff branches which are responsible for materials control, fuel and allocations, inventory control, and administration. Within an operating division, basic responsibilities are generally divided among three major fields:

(1) Supply; (2) materials distribution; and (3) allocation.

The Office of War Utilities is the agency created within the War Production Board for the purpose of exercising the wartime powers and responsibilities of the War Production Board

PUBLIC UTILITIES FORTNIGHTLY

in the field of public utilities—electric power, natural and manufactured gas, water, wire communications, and central steam heating—as well as in the field of utility equipment manufacture. The maintenance of these utility services is essential to the country in times of peace, and vital in times of war. The entire mobilization of industry, transportation, and man power during the war has been predicated upon the uninterrupted flow of utility services.

BEGUN in 1941 as two separate branches (the "Power Branch" and "Communications Equipment"), the Office of War Utilities is today a smoothly operating organization. It has a charter from the chairman of the War Production Board authorizing it to exercise directly virtually all of WPB's power in the public utility and equipment manufacturing areas for which it is responsible. It has a staff of approximately 400 employees; an annual budget of about \$1,130,000; some fourteen industry advisory committees on which more than 150 utility and business leaders serve without compensation; harmonious and effective working arrangements as to jurisdiction with other government agencies having regulatory and other responsibilities with respect to utility operations; and an administrative-legislative framework of orders governing the flow of materials for maintenance, repair, and operating supplies and for construction, the scheduling of equipment production, inventory control, equipment specifications, conservation and standardization, operations during periods of shortage, and restrictions on new utility connections.

This was not always so. At the outset

there was no staff, there were no orders, there was no established working relationship with the industry or with other governmental agencies. The job to be done was totally undefined. Looking backwards, it is possible to identify the basic principles which have contributed to building up the organization and getting the job done.

PERHAPS the most important contributing factor in the development of the Office of War Utilities has been the high quality of the staff that was assembled to do the job. The men who came to Washington to join the ranks of the predecessor Power Branch and the Communications Equipment Branch were far beyond the average in ability and courage. During the early days in 1941, they endured the most disruptive working conditions. Washington agencies were mushrooming all over the city. Temporary buildings were under construction. Floor space was at a premium.

At one time the Power Branch had only 35 square feet per employee. Men had their desks in aisles. Some even worked in their hotel rooms for want of office space. Telephones were difficult to obtain and numbers were changed almost weekly. The offices and aisles were crowded with utility engineers trying to file priority applications in person, applicants for jobs, purchasing agents, Congressmen, manufacturers' representatives, chambers of commerce representatives, and inventors. The noise was terrific. Men began work at 8 or 9 A.M. and rarely left their desks at noon; they did not quit until 9 P. M., and, not infrequently, they worked on until midnight.

MOBILIZING THE UTILITIES FOR WAR

IT was under these circumstances of stress that the basic thinking for the whole utilities program was done. In these noisy and crowded offices were developed the original Order P-46 (now U-1) controlling materials for maintenance, repair, and construction by electric, gas, and water utilities; the original Orders L-50, P-130, and P-132, controlling wire communications utilities; the first power Limitation Order (L-16) providing for the pooling of power resources in the Southeast and the curtailment of power during the drought-created shortage; the power expansion program involving the installation of about 7,000,000 kilowatts of capacity during 1942-1944.

The staff was recruited in a manner designed to secure the best possible balance of different viewpoints and experience. Electrical engineers and operating men, whether drawn from public agencies such as the Tennessee Valley Authority, the Bonneville Power Administration, or the Los Angeles Bureau of Power & Light, or from the private electric utilities or from manufacturing companies, once they became members of the staff, whether on salaried or dollar-a-year basis, ceased to represent the agency or company or area from which they had been drawn.

The success of the Office of War Utilities in working out harmonious relationships with other governmental agencies having responsibilities with respect to utility operations has also been something of an achievement, considering such diverse bodies operating in the same general field as the FPC, FCC, SEC, BWC, TVA, REA, Army Engineers, Reclamation Bureau, and regulatory commissions in some forty states.

CAREFUL study disclosed, however, that none of the existing government agencies would be in a position to discharge the special responsibilities of the War Production Board arising out of national defense and the possibility of war. This conclusion rested upon three principal considerations. First, the jurisdiction of a war agency must be total; that is, it must cover all 48 states and all types of systems, publicly and privately owned or coöperative. No state or Federal agency had such complete jurisdiction. Second, planning the installation of power capacity, the construction of new natural gas pipe lines, or the addition of telephone central offices, like any other major new construction during the war, must be done in relation to programs for military production which



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PUBLIC UTILITIES FORTNIGHTLY

are coordinated by the War Production Board. Third, the war planning agency must have a single purpose and should not be distracted by conflicts between war purposes and peacetime functions for which all regulatory commissions have certain statutory obligations to perform.

Because of the complexity and interdependence of the operations of the OWU *vis-à-vis* the FPC, written agreements were consummated between the two agencies defining their respective functions and providing for conference and consultation to iron out possible future difficulties. An agreement covering electric power was signed on April 24, 1942, and one covering natural gas on September 11, 1943. Similar arrangements, both formal and informal, have been worked out with other government agencies, including the FCC, BWC, State Department, Foreign Economic Administration, Combined Production and Resources Board, Department of Interior, Solid Fuels Administration for War, Petroleum Administration for War, War Department, Navy Department, Maritime Commission, War Food Administration, Office of Defense Transportation, National Housing Agency, Office of the Rubber Director, Federal Works Agency, and others.

AT times such clearances and consultations have the aspect of bureaucracy but this is misleading. It is only as a consequence of these meetings with responsible officials of other agencies that the staff of the Office of War Utilities has been able to appraise the significance of the OWU's operations in relation to the needs of other programs.

JULY 6, 1944

The Office of War Utilities has had the confidence and support of industry from the beginning. This has made it possible to overcome the obstacles of wartime organization. The mechanism for working with industry includes many different methods of communicating information, ideas, requests, and orders. It includes the personal visits of utility officials and manufacturers to the Washington office of OWU; visits and inspections by OWU engineers of projects under construction and of manufacturing plants; group meetings in Washington and in the key cities of each region in the country; and meetings of the fourteen OWU industry advisory committees. Representatives of utilities and manufacturers have in turn passed on to others the facts communicated to them. This has been a fully reciprocal process and the flow of information and ideas has come both from industry to OWU and in the reverse direction. The support which industry has given to OWU is due primarily to the war and to the desire of all elements in industry to contribute to the war effort. But it is due also, I think, to a recognition by industry of the disinterestedness and integrity of the OWU staff.

THE OWU has made it plain that it has no desire to regulate industry permanently. Controls are relaxed even during the war just as soon as the need for them disappears, as already witnessed in the removing of power supply restrictions in the Southeast when the 1941 drought threat ended, and similar natural gas experience in the Appalachian area during the last two heating seasons.

MOBILIZING THE UTILITIES FOR WAR



Staff of the Office of War Utilities

“PERHAPS the most important contributing factor in the development of the Office of War Utilities has been the high quality of the staff that was assembled to do the job. The men who came to Washington to join the ranks of the predecessor Power Branch and the Communications Equipment Branch were far beyond the average in ability and courage. During the early days in 1941, they endured the most disruptive working conditions.”

In many instances industry has initiated actions which it would have been difficult for the government to order or administer. Power pooling is a notable example. Successful power pools are now being operated in every large, interconnected area in the country, including the Connecticut valley, New Jersey-Pennsylvania-Maryland, Wisconsin - Illinois, Indiana - Ohio-West Virginia-Kentucky, Virginia and the Carolinas, Florida, TVA-Commonwealth & Southern, Arkansas-Louisiana - Mississippi - Texas - Oklahoma, the Pacific Northwest and Northern Rocky Mountain area, and California-Nevada-Arizona. The area engineers of the Power Division of OWU helped organize some of these power pools, but all of them are operated on a voluntary basis by the utilities who are members of the pool.

The Federal government could have established these arrangements by order and placed a government load dispatcher in charge of the operation. Fortunately it has been unnecessary to take such action. It is doubtful whether equally good results would have been achieved. The pools have saved fuel and need for new capacity by the co-ordinated operation to maximize the use of hydro and high efficiency steam plants. In working out schemes for conserving our critical resources, the utility industry showed leadership of a positive character and did not sit back awaiting the guidance of government.

It is for these reasons that it is meaningless to discuss separately the achievements of the utilities and the Office of War Utilities. Their efforts have been joint and interdependent. The utilities have the full managerial responsibility

PUBLIC UTILITIES FORTNIGHTLY

for engineering, design, construction, and operation. Therefore, in the description that follows of the particulars of the OWU operating programs, it should be understood that the term OWU comprehends not only the staff of the organization itself but all of the instrumentalities of industry as well.

Office of War Utilities' Operations

THE major functions of the Office of War Utilities may be summarized under the following headings:

1. Planning major expansions of utility facilities.
2. Authorizing essential utility construction.
3. Assuring materials for necessary maintenance, repair, and operating supplies.
4. Effecting the redistribution of inventories.
5. Planning for allocations in case of shortages of utility services.
6. Scheduling production of equipment.
7. Programming requirements of utilities and manufacturers for critical materials.
8. Coordinating conservation of fuel and utility services.

1. Planning Major Expansions of Utility Facilities.—An adequate amount of capacity has been installed so that power demands have been met in all sections of the country. At the same time there have been no unnecessary installations, no installations representing an unsound diversion from the remainder of the war program. This result was not accident nor good fortune. It resulted from painstaking and remarkably precise estimates by the Power Division of capacities and war loads for each power supply area and subdivisions of areas

JULY 6, 1944

and the coöperation of the industry in proceeding with the construction and other arrangements necessary to meet the indicated deficits. The precision of the planning was the consequence of a stupendous amount of detailed work and combined consideration of many seemingly unrelated factors.¹

Planning of additional facilities to meet war loads was similarly conducted for wire communications, natural and manufactured gas, and water utilities. The 1,200-mile Appalachian natural gas pipe line from the gas fields of Texas and Louisiana to West Virginia was held up until the magnitude of the gas shortage justified diverting from military production the considerable quantity of steel pipe, compressors, and other critical material involved.

2. Authorizing Essential Utility Construction.—Administering a system for authorizing and assigning priorities assistance to utility construction is a challenging and tremendously difficult task, not only because of the physical volume of the detailed work

¹ These factors included new loads imposed by extraction of ores and reduction of ores to base metals for the aluminum, magnesium, and steel industries; the power demands of thousands of new and expanded industrial plants; loads originated by various military and naval establishments; war housing and other new civilian activities; allowances for longer shift operation of factories; some reduction in non-war civilian loads; movements in population; reliance on lower margins of reserve capacity; the possibilities of interconnections, coordinated operation, scheduling maintenance shut-downs on an area basis; legislation for daylight saving time throughout the year; possible use of floating power plants of which four 30,000-kilowatt units were authorized. Data for these analyses were drawn from a wide variety of sources: compilations of the Federal Power Commission, load projections by utilities, plans of the military forces, the metal industries, and many others within or related to the War Production Board.

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involved, but also because of the dual and sometimes conflicting responsibilities of permitting all utility construction essential to the prosecution of the war and of diverting the largest quantity of materials to direct war purposes.

At the start there were no rules. The only guide was the fundamental purpose of the process, to make materials available for national defense. There were soon developed, however, some general principles to guide the staff in processing applications. The most important of these are: the test of essentiality, the rule against duplication of facilities, and the rule that service should be furnished by the facilities which require the least use of critical materials. This policy sometimes causes real headaches for the OWU staff but it has paid big dividends in conserving resources for the war.

At the very outset it was evident that if construction jobs of minor size were required to be submitted for authorization in the same manner as major projects, the savings in materials would be more than offset by the burden of paper work on both the utilities and the Office of War Utilities. Accordingly, utilities are given authorization, under the "U" order applicable, for plant additions of modest cost providing certain prescribed conditions of essentiality and conservation are met.

IT was also recognized in 1941 and early 1942 that requests for utility service by new customers under wartime conditions would reach record proportions and that many of these requests would not be of an essentiality to the war which would justify the use of critical materials at the expense of war demands or the endangering of service to existing customers where the capacity of existing facilities was almost reached. Accordingly, rules were adopted by the Office of War Utilities defining the conditions under which new customers may be connected and requiring application to OWU for waiver of the rules where the customer or the utility feels an exception is merited. These provisions, contained in Utilities Orders U-1, U-2, and U-6, are well known to the industries. The policy of the Office of War Utilities is to make the administration of these restrictions as simple as possible and accordingly the conditions prescribed are changed as frequently as the situation as to critical materials makes such changes advisable. The consequence of this policy is to eliminate much of the filing of exceptions formerly necessary.

IN the telephone industry it was necessary to order the discontinuance of manufacture of telephone instruments for civilian uses in order that the accu-



“THE success of the Office of War Utilities in working out harmonious relationships with other governmental agencies having responsibilities with respect to utility operations has . . . been something of an achievement, considering such diverse bodies operating in the same general field as the FPC, FCC, SEC, BWC, TVA, REA, Army Engineers, Reclamation Bureau, and regulatory commissions in some forty states.”

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mulated inventories of instruments, other than the most modern type, could be put to use and in order to make available the facilities of the manufacturers for the production of military items, especially radio and radar equipment. Because of the shortage of telephone instruments, consequent on the stopping of production, and because of increases in demand for telephone service in congested war production centers, Utilities Order U-2 was issued to regulate new installations of telephone service. Recently it has been possible to authorize limited resumption of production of telephone instruments, but it will be many months before the accumulated demand can be fully met. Furthermore, there are many cities in which shortages of central office facilities or outside plant exist because of restrictions placed on installation of such facilities. Accordingly, the provisions of Order U-2 directing priority in furnishing telephone service to essential users must continue.

The magnitude of the task of processing applications is indicated by the fact that for 1943, total correspondence for the entire OWU amounted to 582,000 items, representing 140,000 priority applications, 82,000 appeals from limitation orders, and 360,000 letters.

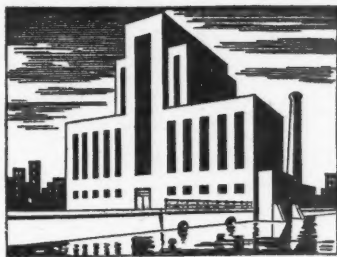
3. *Assuring Materials for Necessary Maintenance, Repair, and Operating Supplies.*—The job of assuring a prompt flow of materials and equipment to utilities for maintenance, repair, and operating supplies has been accomplished through Utilities Orders U-1, U-3, and U-4. These orders and their predecessors cover electric, steam heating, gas, water, telephone, and telegraph utilities. The orders have

gone through a long evolution, but the basic purposes have remained the same. These were to provide a top priority for utilities so that they could secure necessary materials and at the same time restrict the use of this priority in order to prevent the accumulation of excess inventories. Perhaps no other orders of the War Production Board have had as detailed study. Task committees of the utility industries have frequently been called in to offer suggestions as to desirable amendments.

4. *Effecting the Redistribution of Inventories.*—Because of the acute shortage of copper and the competing demands for many items of utility equipment in 1942, it was evident that a serious attempt should be made to establish a practical working minimum inventory for utilities, define as excess that part of the total inventory which exceeded the limits of practical working minimum, and effectuate the redistribution of the excess. The mechanics for accomplishing this end differed somewhat between electric, gas, and water utilities on the one hand, and telephone and telegraph utilities on the other.

In the case of electric, gas, and water utilities, originally, a catalog was made of copper wire and transformers on hand in the warehouses of the various utilities. Later the National Association of Purchasing Agents developed a plan for promoting the redistribution of excess stocks. Finally, the Office of War Utilities, with the help of the utilities and their purchasing agents, set up an Inventory Control Branch and a field organization consisting of regional utility engineers assigned to the thirteen principal field offices of the War

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No Permanent Regulation of Industry

“THE OWU has made it plain that it has no desire to regulate industry permanently. Controls are relaxed even during the war just as soon as the need for them disappears, as already witnessed in the removing of power supply restrictions in the Southeast when the 1941 drought threat ended and similar natural gas experience in the Appalachian area during the last two heating seasons.”

Production Board. Utilities are required to clear certain purchase orders with the regional utility engineers prior to placing orders with suppliers. If the regional utility engineer can locate the desired items in the excess stock of another utility in the same area, the purchasing utility is directed to negotiate with the utility holding the material.

The method followed in the case of telephone and telegraph utilities is for the Communications Division to prepare lists of excess material available in inventory and to distribute these lists widely to the industry to facilitate direct negotiation for the purchase of these items.

By these means, and also by requiring utilities to use up their own excess stocks before placing orders with suppliers, inventories were brought down by about \$75,000,000 during the period from June 30, 1942, to December 31, 1943. This reduction represents ma-

terials, labor, and shop space in the factories of the equipment producers that were saved through the redistribution activity.

5. *Planning for Allocations in Case of Shortages of Utility Services.*

—In the power field there has been no shortage during the war requiring a curtailment of service. However, in early 1942, at a time when war loads were increasing substantially and more rapidly than capacity, the possibility of power shortages had to be anticipated and the Power Branch issued Limitation Order L-94 on May 1, 1942. The order provided for integrated operation of all interconnected power facilities in each area of the country. In areas where the margin of spare capacity was low, detailed steps were worked out with utilities for dropping certain loads in an emergency in order to maintain voltage and hold the system together.

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Classes of exempt and nonexempt consumers were listed in the order to guide the utilities in making curtailments should they be necessary.

In the fields of natural and manufactured gas, limitation orders comparable in purpose to L-94 in the power field have been issued. Order U-7 (formerly L-31) is the order applicable to natural gas utilities, and Order L-174 to manufactured gas companies. These orders, in addition to prohibiting new space-heating installations in areas where supply is tight and requiring the review of new industrial applications, provide for an orderly sequence of curtailment during periods of gas shortage. The curtailment provisions have frequently been applied during periods of winter peak consumption. The orders have assured a continuous supply of gas to the top priority war consumers at the expense of the less essential users of service.

While it has not been necessary to curtail service by water utilities, the Office of War Utilities has participated in local "save water" campaigns where water supply has been short.

In the telephone industry the efforts to reduce the load on local and long-distance facilities have been principally by publicity campaigns conducted by the industry itself.

6. Scheduling Production of Equipment.—At the beginning of the emergency the United States was not immediately prepared for the unparalleled Navy and Maritime construction program. Initially there was more direct conflict between the power generating equipment and the turbines required by the Navy and Maritime Commission than for any other single class

of industrial production. The Office of War Utilities cooperated with the Navy and Maritime Commission by releasing the facilities of manufacturers to the maximum possible extent. This was done by refusing priorities for power plants and by suspending or revoking priorities previously issued. Priority applications were canceled for a total of approximately 5,000,000 kilowatts of generating capacity.

The Office of War Utilities had to adopt a "tough" attitude in reviewing its own power expansion program. Every project was reviewed from the standpoint of its necessity and relative urgency, and approval was given only where the facts disclosed the existence of a critical situation and where power required for the war effort could not be made available without the new facilities requested. The conflict between the power program and the Navy and Maritime programs was particularly sharp in the case of small and medium-size power units up to about 10,000-kilowatt capacity because the facilities for producing these units could most readily be devoted to the manufacture of marine turbines. The total amount of power plant equipment for the Navy and Maritime Commission is truly staggering.

A **BATTLESHIP** of the *New Jersey* class requires approximately 200,000 horsepower of turbine capacity for all purposes. A large aircraft carrier requires about 180,000 horsepower, and a light cruiser about 100,000 horsepower. Main propulsion turbines of cargo vessels, such as the new victory ships, are rated at 6,000 horsepower. Turbines and engines delivered to the Navy and Maritime Commission for

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shipboard use during the year 1943 had a *total capacity of approximately 40,000,000 horsepower*. It is interesting to note that at the present time the capacity of the main propulsion units of all types for the Navy is approximately equal to the total installed generating capacity in all power plants in the United States.

Early in 1942 the Office of War Utilities developed turbine-scheduling order M-76, which was the first order board scheduling regulation to be issued by the War Production Board. Subsequently, scheduling orders L-117, M-293, etc., were issued covering all types of heavy utility equipment, including boilers, condensers, switchgear, and related electrical equipment. These orders provided four important advantages: (1) The schedule of the manufacturers was fixed or frozen for production so that the manufacturer could plan his work well in advance and output could be maximized; (2) prior to freezing manufacturers' schedules a careful study was made of the relative urgency of all orders placed with the manufacturer, individual consideration being given to each order; (3) the Office of War Utilities, in cooperation with the military and nonmilitary claimants, achieved a spreading out of

orders to equal the backlog on the books of the various manufacturers and to promote subcontracting; (4) this method provided almost absolute control of production, being particularly suitable for meeting the emergencies.

SCHEDULING of production was particularly important because of uncertainty with respect to long-term requirements of most claimants. For example, in the spring of 1942, no one knew precisely how much steam would be required for the synthetic rubber program or how many mechanically driven turbines would be required by the aviation gasoline program. Hydro turbines interfered with extrusion presses for aluminum. Oil circuit breakers and switching equipment interfere with switchgear for ship use. Radio and radar transformers interfere with distribution transformer production, etc.

The scheduling job from the very start has meant working in intimate relationship with the Office of Lend-Lease Administration in development of technical studies and power programs for equipment delivered pursuant to First, Second, and Third Russian Protocols, and with Treasury Procurement in following these projects through to completion. This equip-



Q "THROUGH improved design and engineering practice, through wide interconnection and coördination of facilities, through unique resourcefulness in overcoming the countless handicaps which war conditions impose, the utility systems have made good their pledge that service would never be too little or too late. By economizing to the limit in the use of materials, equipment, man power, and fuel, the job has been done without interference with the urgent military programs which depend for their execution on the same scarce resources."

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ment includes power plants of all types, industrial boilers, truck-mounted Diesels, power trains, and many other items of power equipment. Likewise, there has been the job of providing power plants for China and all the rest of our Allies, as well as preparing for the contingencies which may arise by future military operations.

The problem of scheduling and production control is not at an end. In fact, as soon as one type of bottleneck problem is solved, new ones arise. To the manufacturers of the country should go the credit for the achievements which have been made in this field. Their coöperation has been complete in every respect and detail. They have been ready, willing, and anxious at all times to help accomplish that which was in the best interest of the war effort.

7. *Programming Requirements of Utilities and Manufacturers for Critical Materials.*—Part of the job of the War Production Board is to interrelate all of the war programs within the limits of our materials capacity. This job is carried out within the War Production Board by the Program Vice Chairman, who is also Chairman of the Requirements Committee. The Office of War Utilities is established as a claimant agency and as such has membership on the Requirements Committee. Other members are the Army, Navy, Maritime Commission, and the major nonmilitary claimants. Each of the claimants presents claims for its programs stated in terms of tonnages of steel, aluminum, copper, and other materials. The national supply of these critical materials is compared with the total of the several claims, and down-

ward adjustments are made in the programs to bring supply and requirements into balance. This is the essential part of the planning mechanism known as the Controlled Materials Plan. The information on military and indirect military programs is brought to a final synthesis at the Requirements Committee. It is through this mechanism that knowledge is obtained as to *which* resources are really critical, *which* areas require additions to capacity, and *which* programs must be cut if supplies are short. The application to the field of utilities of program changes brought about ultimately by changes in the strategy of the war is the fundamental part of the job.

8. *Coördinating Conservation of Fuel and Utility Services.*—As a measure to conserve fuel, the Office of War Utilities sponsored a national conservation campaign in the fall of 1943. All fuel-using utilities joined in this campaign and devoted their advertising resources to the problem of fuel conservation. It is obvious that an intensified drive for fuel conservation will be necessary this fall.

The Office of War Utilities has been active in furthering the establishment and retention of war time (daylight saving time the year round). This measure, which was adopted by Congress in January, 1942, has reduced peak loads in the country by about 1,500,000 kilowatts and saved annually the generation of about 1,500,000,000 kilowatt hours. This energy saving is equivalent to 1,000,000 tons of coal per year.

CONCLUSIONS.—Frequent reference has been made in the foregoing

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to the distinctive organization personality of the Office of War Utilities, and to the high caliber of the members of the staff. These achievements were very largely due to the leadership of Lieutenant Commander J. A. Krug, who served as the original Chief of the Power Branch and as Director of the Office of War Utilities until April 18, 1944, when he left the War Production Board for active service in the United States Navy. Krug was personally responsible for the recruitment of the staff and the establishment and execution of sound operating policies. Many individuals have participated in this work, and it is not possible here to describe the contributions of each.

The important fact is that no war plant has ever been held up because of lack of service. Utility systems have provided all of the facilities needed by every factory and by every military and naval establishment. At the same time,

they have carried their regular civilian loads. To do this, it has been necessary to increase installed capacity and to operate both old and new capacity at abnormally high load factors and for unusually long hours.

Through improved design and engineering practice, through wide interconnection and coordination of facilities, through unique resourcefulness in overcoming the countless handicaps which war conditions impose, the utility systems have made good their pledge that service would never be too little or too late. By economizing to the limit in the use of materials, equipment, man power, and fuel, the job has been done without interference with the urgent military programs which depend for their execution on the same scarce resources. The employees and the managers of the country's utility systems deserve the highest esteem of the nation for this remarkable performance.



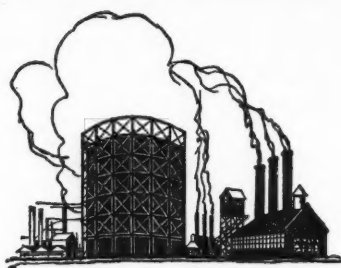
Postwar Chaos?

"DURING the war the leaders of government, business, and labor may be able to maintain production through invoking war powers and stressing war needs and avoiding difficult solutions by temporary compromises.

"But as soon as the war is over, hatreds, fears, and prejudices now seething under the surface will boil over into violent conflicts unless strong measures are taken to assert the dominance of the public welfare.

"We shall see a struggle involving business managers exasperated and embittered by government regulation and labor control during wartime, labor organizations more powerful than ever before and anxious to use their strike-bound muscles millions of soldiers returning to their homes, convinced of their prior right to employment ahead of those who stayed at home and profited by the war."

—DONALD R. RICHBERG,
Former head, National Recovery Administration.



The Gas Industry in War

The tremendously vital part it is playing in the greatest public effort that has ever been organized and maintained in this country.

By ERNEST R. ACKER

PRESIDENT, AMERICAN GAS ASSOCIATION AND PRESIDENT, CENTRAL HUDSON GAS & ELECTRIC CORPORATION

A FEW weeks ago a prominent market analyst called the gas utility industry "a war hero." In my opinion the industry is not deserving of such reference. As a matter of fact, it is inconceivable that any commercial enterprise could earn that distinction. The only real war heroes are those who face the enemy or who in other ways place their lives on the line to preserve our way of life. However, the public utilities have an essential and vital job to do in support of the war effort. That they have done it magnificently so far and in a way that has saved many lives, I do not doubt for a moment.

The gas industry is today a vital part of the greatest public effort that has ever been organized and maintained in this country. The industry's relationship to this effort is one of high responsibility as a necessary unit in a complex social, military, and industrial structure dedicated to the preservation

of freedom and the suppression of slavery throughout the world. I like to think of the millions of gas flames burning throughout our country as symbols of our determination to retain our freedoms and to add new ones.

The current high operating rate of the gas industry shows the tremendous effect of the war. At present the industry is serving the largest number of customers in its history—a total of more than 19,400,000. Sales of gas for industrial and commercial purposes, in which category wartime use of gas is reflected, showed an increase in 1943 of 53.6 per cent over 1939 which was the last year before the defense program took effect.

It is particularly significant that this tremendous amount of additional business was handled with fewer employees and with very slight gain in capital investment—indicating that little in the way of critical and strategic war materials was used to enlarge the gas

THE GAS INDUSTRY IN WAR

industry's productive and distributing capacity. While total investment remained relatively stable, sales of gas per employee rose from 12,740 thousand cubic feet in 1939 to 18,111 thousand cubic feet in 1942, an increase of 42.2 per cent. Gas industry employees during this period dropped from 132,700 to 121,922, a decrease of 8.1 per cent.

MUCH has been said of the remarkable accomplishments of our manufacturing industries in changing overnight from peacetime to wartime production. In this connection, I am impressed by the following quotation from the annual report of one of the New England companies:

The accomplishment of the tremendous task of converting industry from peacetime to war production quite naturally attracted wide attention and acclaim. As a stockholder, you may have wondered why it was that the gas and electric industries shared in this public glory to a very minor degree. The reason is, of course, that your company, in common with most utilities in the country, was already prepared to meet increased demands for gas and power when our nation entered the war.

There is nothing very spectacular or dramatic about being prepared and, therefore, the press and the public paid scant attention to the utilities. However, we take pride in the fact that we were prepared and that little of the industrial expansion could have been accomplished without adequate gas and electricity.

Although the gas industry is highly integrated, it is nevertheless a complex undertaking with characteristics peculiarly its own. It cannot be advantageously considered as a whole without recognizing that it is a production business, a manufacturing business, a transportation business, a distribution business, a collection business, a mercantile business, a development business, and, finally, a business regulated

in the public interest. Consequently, its war task has been that much greater and has touched virtually every field of human endeavor.

The war activities of the gas industry are kaleidoscopic in nature, ranging from questions of materials and supplies, production capacity, and man power to questions of conservation, curtailment, nutrition, etc., and even to mobilizing its resources to promote the victory garden idea!

THE soundness and adaptability of the gas industry have never been more clearly demonstrated than during the past few years when it has met every requirement of the war emergency without serious curtailment of supply for war production or essential civilian services. It has also made many collateral contributions to the war program. This performance, we submit, is the result of able and resourceful management as well as effective co-operation with governmental authorities. Let's examine the background.

Through the instrumentality of the gas industry's national trade organization, the American Gas Association, prompt and effective action in support of the defense and war programs was immediately forthcoming. We were fortunate in having on tap an organization which had had previous war experience. As a matter of fact, the association was formed in 1918 for the primary purpose of concentrating all the gas industry's energies toward winning the first World War.

Even before the present war started in Europe, the association had set up its committee on national defense. For two years prior to the conflict, AGA headquarters had assembled material

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that would prove helpful at some future date in view of the irresistible progress toward war. When war actually became a reality, the association was in the enviable position of already being well prepared to serve the gas industry, having collected much valuable information from sources abroad as well as in this country. As a matter of fact, we were among the first to offer the services and facilities of our industry to the government departments concerned with national defense.

WHEN war came to America, all units of our industry, including the association, were transformed and converted in line with the special requirements of the emergency. The large committee on national defense gave way to a compact 7-man committee on war activities which, throughout the war period, has been the top coördinating committee of the association, charged with full supervision of the gas industry's war effort. One of the first steps of this committee following Pearl Harbor was to clarify the question of shut-off of gas service in dwellings during the period of air raid alarm or actual bombing.

After considerable investigation and study, the American Gas Association published "War Protection of the Gas Industry"—a book which has been

widely recognized as the "Bible" of the industry in matters pertaining to plant and personnel protection. Countless experiments were conducted by companies throughout the country to determine the best methods of protecting mains and services and for the rapid repair and restoration of service in case of damage. Prompt operating procedures and new methods were perfected for shutting off gas from broken mains. While we are thankful that these methods were not put to the test of actual bombing experience, none the less the industry was prepared for any eventuality. Recognition of the industry's preparedness is evident in the selection of many gas companies to receive the National Security Award presented by the Office of Civilian Defense for "superior standard" of civilian protection.

SINCE October, 1941, when the Office of Petroleum Coördinator (now PAW) was created, there has been maintained a continual liaison between the gas industry through its self-appointed representatives and the Washington agency under Secretary Ickes. It is a matter of pride that when this agency organized a natural gas section and divided the country into five geographical divisions, it turned to the personnel of this industry to head up these



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various regions. These men did yeoman service in maintaining gas supply to strategic war plant areas. Among other noteworthy contributions of this coöperative industry-government team was to show the present output and possibilities of manufacturing greater quantities of butane and iso-butane and thus provide basic data of value in planning for the increased output of synthetic rubber and aviation gasoline.

Similar liaison has been maintained first with the Power Branch of the War Production Board and then the Office of War Utilities under the direction of J. A. Krug. The result of this mutual coöperation has been an integration of the activities of the industry in the production, transmission, and distribution of gas, which was highly essential to the needs of the war economy and to the elimination of wasteful or nonessential uses of critical materials.

STRIKING proof of the essentiality of gas fuel was evidenced in the orders issued by the War Production Board the latter part of 1942, limiting certain uses of natural and manufactured gas. These orders prohibited new gas-heating installations in certain critical areas and provided for steps to be taken to curtail gas consumption in time of threatened shortages.

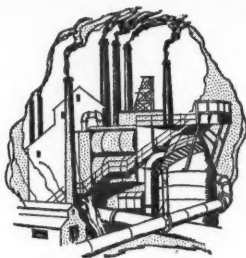
Promptly thereafter the gas industry initiated a public educational program covering the conservation and curtailment of gas fuel in the home, the central features of which were two campaigns produced by the American Gas Association. The keynote of these was "Gas Is a Vital War Material . . . Use It Wisely." The gas industry's national advertising also emphasized

the need for conservation. Gas companies the country over, even those situated in territories where gas resources were more than ample to meet emergency needs, patriotically asked customers to stop all waste of gas and wherever possible reduce present consumption. This program resulted in a saving of millions of gallons of fuel oil in manufactured gas territories and was recognized by the Office of War Utilities as an outstanding industry accomplishment.

Consequently, when the volunteer National Seven-Point Conservation Program was initiated later to conserve fuels, critical materials, and manpower, the gas industry was well qualified by experience and past performance to render effective support to the government's program. A review of the industry's participation to date indicates that practically all companies are promoting conservation through publicity, advertising, personal contact, and employee education.

IN addition to fuel and material conservation, the man-power shortage received the industry's prompt attention. At the suggestion of the government, the personnel committee of the American Gas Association prepared lists of critical and essential occupations of the natural and manufactured gas branches of the industry for the use of the War Manpower Commission. The personnel committee had previously compiled such information for use of the Selective Service System.

Operating at record levels with fewer employees per customer than ever before, many gas companies instituted longer working periods, switched to bimonthly or quarterly



Gas in War Emergency

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billings, simplified office procedures, meter reading, collections, and bill delivery practice to effect reductions in man power. Customers were educated to make minor repairs themselves and appliance service operations were reduced to a minimum. Women were hired wherever possible.

The industry also rendered outstanding service to the war program through its active participation in government-sponsored activities covering nutrition, fat salvage, preservation of foods, conservation of appliances, tires and motor vehicles, salvage of scrap materials, civilian defense measures, Red Cross, and War Bond drives.

HOME service, the branch of the gas industry which represents the largest group of graduate home economists in a single industry in the world, is credited with making a major contribution to community life and na-

tional welfare under wartime conditions. Complete coöperation and aid were given the governmental programs of nutrition in the home and in industry, conservation of foods, fuels, and appliances, and establishment of information bureaus to interpret and “sell” food rationing to the public. To this end, 12,000,000 customer contacts were made by home service personnel during 1943 alone.

In the technical field, the manufactured gas industry at the request of the government has conducted extensive investigations in the use of various types of oil, including gasoline, for water gas enrichment, in the use of shorter runs and shorter time of oil contact in water gas production and in the possibility of increased production of light oils for war purposes.

The natural gas industry has made notable advances in the integration of facilities, the development of under-

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ground storage, the liquefaction of gas to provide increased storage in a minimum space to provide for winter peaks, and is now studying conservation methods of production to conserve natural gas and produce a maximum amount of oil.

Chemical developments in the natural gas industry other than fuels are numerous and have made possible important war contributions. Many of the products are used to a large extent as starting materials for the preparation of still other chemical products. Among these are synthetic rubber of the Buna type. Natural gas is also an important raw material in processes for the manufacture of high explosives. Glycerine for the production of trinitroglycerine is another explosive raw material being made from natural gas. Natural gas hydrocarbons after conversion to the corresponding olefins can be used as the basic materials for a wide range of plastics.

Both sections of the industry have adopted new gas meter repair techniques as a means of conserving tin vitally needed in the production of war materials and equipment. These and many other technical developments are ample evidence of the gas industry's effectiveness in meeting war demands.

IN the commercial and industrial utilization field, the industry is making an important contribution through research and engineering service on the application of gas to war production processes. In addition, the sales engineers of the industry have promoted conservation of gas usage by commercial and industrial customers and have worked continuously with Army camps and military establish-

ments to improve distribution and utilization practices and reduce gas consumption. These sales groups have become in every sense a war service organization with every class of gas customer. They have carried the burden of interpreting to the general public the multiplicity of governmental orders and regulations covering gas service, have found practical means of meeting all essential needs of residential, commercial, and industrial customers.

Utilization of gas in Army, Navy, Marine, and Coast Guard camps deserves special mention as the military organizations represent one of the largest consumers of fuel in the continental United States. Each camp is equivalent in size and number of buildings to a town or city. The aggregate of hundreds of camps containing thousands of buildings, each of which requires fuel for cooking, space heating, water heating, refrigeration, or process steam, represents a fuel problem of the first magnitude. The addition of many of these mass fuel consumers to gas companies' lines created special problems whose solution chalked up another achievement. A special committee on the use of gas in military and naval establishments was set up by the American Gas Association to handle these problems.

MUSHROOMING of war housing in every industrial or war plant area also placed a strain on the facilities of many gas companies. Supplying gas for cooking, water heating, house heating, and refrigeration in many of these new-born communities was undertaken with marked success. As a contribution in this field, the

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association compiled and published "A Study of Utility Services for War Housing," indicating the weights of critical materials required with various combinations of fuel services in accordance with the government's War Housing Utilities Standards. This study was placed in the hands of responsible government officials and proved of considerable value.

As for the gas appliance and equipment manufacturers, even a superficial check will show that the great majority, if not all, have converted their plants, in whole or in part, to war work.

Their contribution has been a substantial one, whether in the form of specialized equipment or war plant industrial processes or the manufacture of munitions.

WHILE the AGA Laboratories' primary peacetime purpose was the conduct of research and appliance testing for the gas industry, when war started it stepped out of its traditional rôle and rendered conspicuous service. For the past two years, the Laboratories have been direct participants in the war effort through research, development, production, and testing of special war products. These operations, in fact, form the major part of their activities and have for some time past.

EXTENSIVE development and research work has been conducted by the Laboratories for the Army Air Force, Bureau of Ordnance, and the Navy. Ingenuity of Laboratories' engineers has resulted in making available to the armed forces a number of new devices for the control, regulation, and indication of various gases.

The principal accomplishment was supplying the Army Air Force, under contract, with 25,000 automatic oxygen regulators for use in high-altitude flights where life depends on a constant supply of oxygen. These regulators have proved highly satisfactory and are now in wide use. More recently, extensive preparations have been made for the testing of quantity production of special equipment for the Bureau of Ordnance developed as the result of extensive research.

I have reserved for the closing portion of this necessarily sketchy account of the gas industry's war record, the most spectacular and by all odds the most important achievement of the industry—direct application of gas and gas equipment to the fabrication of war weapons.

It was no "secret weapon" that the gas industry brought to bear on the tremendous war production problem but long years of preparation, not for war, but for service in normal indus-



Q "THE natural gas industry has made notable advances in the integration of facilities, the development of underground storage, the liquefaction of gas to provide increased storage in a minimum space to provide for winter peaks, and is now studying conservation methods of production to conserve natural gas and produce a maximum amount of oil."

THE GAS INDUSTRY IN WAR

trial markets. Modern gas heat-treating furnaces which played so vital a part in our rearmament "miracle" were born in World War I, grew up in the twenties and thirties, and matured in World War II. Three years of production of complex war materials have brought about major changes in equipment for gas heat-treating which have built this necessary operation right into the production line, have afforded new techniques for heat application to limited surfaces, and have carried the science of heat application to a new high.

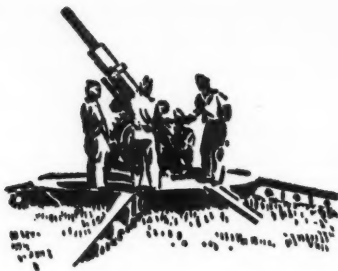
THE development of metal treatment and melting equipment since the last war has been remarkable. It is vaster, more mechanized, efficient, flexible, rapid, and convenient. The gas industry has given America unprecedented time, temperature, and cycle precision, unsurpassed control over surface conditions, and metallurgical change. While it would take volumes to tell the complete story, a few examples will establish our point.

The availability of gas-fired radiant-tube heating elements at the beginning of the war production period made possible some spectacular innovations in furnace design. The size of controlled atmosphere furnaces for bright annealing, clean hardening, and similar operations was no longer limited by the practical size of heat-resisting alloy muffles. As a case in point, a series of duplicate 200-foot furnaces for clean hardening armor plate sections, which went into production early in the defense period, have turned out an impressive tonnage of accurately heat-treated armor plate for combat vehicles.

One of the outstanding fields of application of the gas radiant-tube carburizing furnace has been in the production of gears for automotive war equipment, including trucks, half tracks, jeeps, and tanks. The combination of radiant tubes and prepared atmospheres has also played a prominent rôle in war applications, notably in the production of seamless tubes for aircraft.

THE adoption of convection gas heating has revolutionized the process of heat treating armor plate. Accuracy of gas heat treatment can be further illustrated by the notable performance of gas furnaces for high explosive shells. Another distinct contribution to the war program was the successful application of industrial gas to the production of metallic magnesium. Others could be cited.

Let me emphasize that no part of this record has been achieved as the result of some special or general advantage to the gas industry itself. On the contrary, the record has been set up in spite of operating, maintenance, extension, priority, and other difficulties that have increased in complexity and severity ever since the emergency came upon us. All this in face of the fact that the gas industry cannot, like other industries, be wholly converted from a condition of peace to one of war; for in addition to the vital part this industry plays in the fabrication of the materials of war, we must, in the interest of public health, nutrition, and morale, maintain an uninterrupted and high standard of service to the civilian population, most of whom are engaged in war work in some form. This we have been able to do.



War Performance the Key To the Future

The power industry, by its magnificent war effort, has won renewed confidence and respect on the part of the public and in government circles as well. It now has an opportunity to capitalize these gains by unity of action and purpose to work for industrial peace and welfare in the postwar years.

By TOM P. WALKER

WERE it not for World War II, the electric power industry might never have realized its fundamental strength. The capacity to take on unprecedented industrial loads without a falter, at the same time carrying expanded civilian demands, has no counterpart in our country. Over-all war production goals are now fairly well defined. Final requirements may not yet be determined, but rates of production, within the limits of available man power and raw materials, have been established. Barring unforeseen accidents or breakdowns that might affect limited areas, the power situation is assured. We have proved ourselves prepared beyond the normal call of duty.

There are two factors underlying

this performance which should be emphasized. The first is the soundness of construction and operating policies developed through the years by business managers seeking to meet the service needs of a rapidly expanding economy and never content with less than complete dependability. The second is the powerful forces which come into being when the industry coördinates its efforts and puts its full strength behind a project.

As to the first factor, it has been no easy task to continue to maintain the standards of service which we had evolved as worthy of our industry. With heavy-fisted demands for lower rate bases and with rates measured by 30-inch yardsticks, there was every

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temptation to throw tried construction and operating policies overboard. An easy surrender to the demand for cheapness at the expense of dependability could have meant the difference between complete preparedness and failure to meet the test of war. As it was, when the emergency came, we were ready. We could not have been prepared in time had adequate reserves not been in place or planned well in advance. The policy was not set up as a preparation for war, but was made by a business decision to supply a product upon which people could rely implicitly. Judgment trained in competitive markets foresaw the demands of people for adequacy and dependability as the first consideration. Engineers were given wide latitude to achieve this end.

Considerable attention has been directed to the tremendous power projects of the Federal government and their contribution to the war effort. These have been important, but not so significant as they have been made to appear by dramatic exploitation of vast quantities of concrete and great cost. Furthermore, they fall far short of the complete answer to the success of the power industry in the war. Since 1939, the last prewar year, additions to plants of business-managed companies, financed from peoples' savings, exceeded additions to these tremendous Federal projects by 2,000,000 kilowatts.

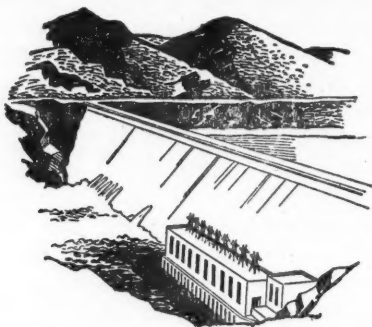
The Federal projects increased their output in 1943 as compared to 1939, 21,300,000,000 kilowatt hours. The business-managed companies increased theirs three times that figure or 64,900,000,000 kilowatt hours. During 1943, business-managed electric operating companies generated more than 81 per cent of the total energy from all

plants contributing to the public supply. Yes, the industry has confirmed the soundness of maintaining high service standards backed up by adequate reserves.

Too great emphasis cannot be laid on the powerful force created through coordination of the industry's efforts. The job could not have been done by hundreds of operating systems, each taking care of its own area. There had to be an organized program to make the most of facilities already in place, lest the war effort be hampered by extravagant construction of unnecessary capacity, or the competition of zealous individual operators for critical materials and man power. The Office of War Utilities, manned largely by the industry, with trained personnel which could not well be spared, furnished that coordination. While every system has experienced fretting restraints, there is none who will not agree that the OWU has done an intelligent and constructive task under very difficult circumstances.

As a further guaranty that the industry would not fail to meet the test, it set up the Council of Electric Operating Companies by the most nearly unanimous support accorded any industry activity in years. Through willing compliance with directives of governmental war agencies and through its own voluntary efforts, complete utilization of the industry's facilities was accomplished. Thus was demonstrated again the tremendous strength that can be generated through coordinated action.

We see all about us plans for developing large public power projects with no relation to existing facilities so



Increase in Electric Power Output

“THE Federal projects increased their output in 1943 as compared to 1939, 21,300,000,000 kilowatt hours. The business-managed companies increased theirs three times that figure or 64,900,000,000 kilowatt hours. During 1943, business-managed electric operating companies generated more than 81 per cent of the total energy from all plants contributing to the public supply.”

recently proved by war, or to the experienced managements that performed the modern miracle. Surely the mistakes so glaringly exploited during the “whipping-boy” era have now been atoned. How in all good conscience can any power resource of this nation be brought to its highest purpose without the active coöperation of those who have made the business their career? Must the mistakes of the past, with perhaps others even more tragic, be repeated by new experimenters before we become alive to the necessity for peacetime coördination?

WE may thank our “lucky stars” that the responsibility for the planning of wartime power rested principally on those who had had years of experience in the practical operation

of power plants and facilities. Only those trained in a school where economy of money, men, and materials was important could have produced the highest result in an all-out war. Only those dedicated to a tradition of dependable, “on-the-spot-when-needed” service could have set up the war record our industry has established. Yes, the war might be considerably prolonged if the men from the electric operating companies located in Washington and throughout the nation were not planning and executing the program of the OWU. If power supply had proved to be the bottleneck that some in government service predicted it would be, the war effort would now be seriously handicapped. Faith in long-established policies and patriotic coöperation by men of the industry see

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to it there is no bottleneck. Nothing short of the same wholehearted coöperation can produce the maximum public benefit from future power developments.

There are two active fronts where such coöordinated planning and operation are particularly important from the standpoint of public interest. These are the extension of electric service to the farm and the orderly development of multipurpose dams. Not until the bitter and destructive campaigns now in progress are in some way harmonized will the public secure anything like just treatment.

Born during the depression out of a desire to make work and at the same time improve the lot of the farmer, the principle of subsidizing electric service to the unserved farms of the nation is now an established policy of our nation. Much that is very unpleasant has been said and done by both sides of what has developed to be a bitter fight rather than a public benefit. As a matter of fact, the program has done most for the farmer where there has been an intelligent coördination of existing facilities with those to be built under government subsidy. In those areas where it has diverged widest from the purposes of the act, and as a consequence created the greatest dissension, it has failed most miserably. The problem of extending electric service to rural areas needs the same enlightened coöperative treatment that the war program has received. Until some such a movement gets under way, the public interest will continue to be abused.

FOR the moment, the "glamor girl" of the power world is the multipurpose dam. Astronomic quantities of

concrete and kilowatt hours, seasoned with promises of flood control and social advancement, have caught the public fancy. Whether or not we subscribe to the blandishments that attempt to justify the TVA and the tremendous public works of the Northwest, they have been sold to the majority of the people of the United States. This majority may not always think as it now does, for some day there must be a casting up; but until there is a definite change in sentiment, we must expect further development of public power under the umbrella of multipurpose projects.

Furthermore, projects already installed must continue to operate. To destroy existent public power projects is no more justifiable than for the Federal government to destroy private power operations. No public good can come from the destructive controversy that rages around these Federal projects. There may be no grounds immediately at hand on which to compromise the opposing concepts of the functions of government, but certainly there is sufficient business judgment in government and in the power industry to devise in the meantime some workable coördination of these power facilities. If neither has the courage or the foresight to bring about this coöperation, the public should rise and demand it.

The power industry has an opportunity to direct the abilities demonstrated during the war effort to the solution of these two important problems if it will but seize it. Some day a wise coördination of the power facilities of publicly and privately owned systems will be accomplished. Short of complete preëmption of one by the

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other, this coördination can only materialize from a coöperative program. The sooner some common approach is found, the sooner the public good will be served. The business-managed power industry, long schooled in public activities, with a passion for service, and skilled in management and operation, owes to the nation a continuance of its wartime coöperative effort to the end that peacetime problems might also be solved. Just as leading technicians from all branches of the business rallied to the war program, so should they now with equal zeal and patriotism devise coöperative programs for rural electrification and the utilization of by-product power from multipurpose dams. Further postponement is utterly wasteful. The industry has been remiss in not getting to it sooner.

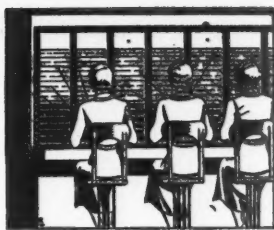
ONE dare not pursue the analogy too far, but how like we are to Gulliver as he lay prostrate, bound by

myriads of tiny threads spun over him while he sleeps. Can you ever forget your childish wonder that one so strong and capable could have been held in his tracks by such frail chains? Perhaps our chains are not all so frail, but many are of our own forging—natural products of disunity, fear, indifference, and provincial points of view. Once these few are untangled, we may well have gained a free arm to apply to plans for even a higher standard of public service for the nation. More than ever before the situation requires the cumulated experience and judgment of those trained in the business during the past half century. We have a challenge to direct our new-found strength to the demands of the future. With added confidence in tested operating policies, and inspired by an outstanding war performance, achieved through coöperative effort, may we take up that challenge and pursue it with zeal and enthusiasm.

Recognition of Utility War Service

Although government regulations do not, for technical reasons, permit the award of the Army and Navy "E" for Excellence to public utilities engaged in civilian public service, several other awards have been earned by a number of public utility companies in the United States. The National Security Award, established to "recognize superior organization for plant protection and security," has been granted to a considerable number of utility companies, including all the operating companies of the Bell telephone system, by the U. S. Office of Civilian Defense.

Two electric utility companies, serving the coastal cities of San Diego, California, and Miami, Florida, respectively, have received the U. S. Navy citation for meritorious wartime service. The San Diego award was made to the San Diego Gas & Electric Company last year. In special services held to honor the Florida Power & Light Company in Miami on February 1, 1944, Rear Admiral W. R. Munroe, then commandant of the Seventh Naval District, summed up the important part of the wartime job which that utility has done in the strategically important state of Florida with the words, "Where we called for power we got the power and not—thank God—alibis."



The War Calls Go Through

A moving demonstration, says the author, of that great army of soldiers of the public service, a mobilization mustered not by government order or military fiat, but by the rich tradition of devotion and loyalty which dwells in the heart of every man and woman who is a soldier of that gallant army.

By CHARLES F. MASON

PRESIDENT, UNITED STATES INDEPENDENT TELEPHONE ASSOCIATION

Now that the tension and anticipation of the European invasion or liberation has been relieved to some extent, it is permissible, perhaps, to consider some of the work, plans, and deeds that went into the critical war period which preceded that historic event of a bare month ago.

The true and complete story, however, of the telephone industry's participation in the war effort cannot be told now and may never be told. There are three reasons why:

- (1) The telephone industry does not seek special credit or recognition for what it regards as its plain duty to the national defense and welfare;
- (2) the job is not done yet by any means;
- (3) obvious reasons of military security.

But we can talk a little about people—telephone people, who have remained at their posts on the home front and in

the fighting areas to see that war calls get through.

We hear every day of sacrifices—some heroic and spectacular, some routine and long-suffering, and some taken for granted. The last-named classification would probably include the performance of thousands of telephone employees who have worked long hours, foregone week-ends and important holidays such as Christmas and New Year's, who have stayed up all night on short notice during fires and floods and sleet storms so the rest of us can continue to enjoy uninterrupted service.

Offhand, this may seem a small thing compared with the doings of the heroes in the foxholes. But when we stop to think that it has been going on for years, in peace and war, and will continue to go on, it commands our wholesome respect. These telephone operators, linemen, and other

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workers are truly the modern soldiers of service. Their devotion to duty is more than ever important during this critical period when public utilities of all classes must bear the double burden of serving the war effort as well as the normal civilian demand.

WE may well be impressed also by the intelligent planning for such peak-load periods as can be anticipated. A chart of the tremendous increase in telephone conversations in continental United States during the past two and a half war years as compared with preceding years, clearly shows that there *has* been a double burden—a burden of war traffic—superimposed on top of the normal load. (See chart, page 50.)

Exact statistical breakdown of war traffic, as compared with what might be called normal traffic, would probably be difficult to determine even if it were permissible to divulge such figures. But the total rise in telephone conversation on both the Bell system and Independent lines clearly tells the story—war is on the wires.

The advent of war, despite the best planning by the best brains in the telephone industry, brought peak loads and other operating problems which could not possibly have been anticipated. For example, take that generally pleasant Sunday afternoon of December 7, 1941, which has since gone down as one of the blackest days of our national history. It was still eleven o'clock in the morning in San Francisco. The telephone operators in that city were handling a normal traffic of transpacific calls to our various possessions, including the Philippines, the Hawaiian islands, and from thence to

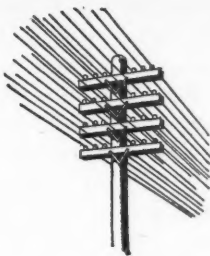
other points in the Asiatic waters, including Tokyo.

IT was early in the morning in the seemingly peaceful city of Honolulu, served by the Mutual Telephone Company, a member of the Independent telephone industry. Normal Sunday morning traffic along this route is relatively modest. Suddenly, there came from Honolulu the electrifying message that the Japanese had bombed Pearl Harbor. In a matter of minutes it was on the radio broadcasting stations. Immediately a tidal wave of calls swamped the San Francisco exchange. Shortly after that, just about every other telephone exchange in the United States and Canada was similarly swamped.

These calls varied from attempts by friends, neighbors, and relations to pass on the news, to tragic efforts of some on the mainland to communicate with their loved ones in the Hawaiian islands. Naturally, of course, there was a tremendous ground swell of military and official communication; demands from the press and radio and other news-gathering agencies for more details.

Within a half hour after that first message broke, thousands of telephone operators all over the country appeared voluntarily at their switchboards. It was the same with male technicians, testers. They knew they would be needed. It was unnecessary to summon them. Without a word they canceled their plans for a Sunday afternoon of recreation and quietly but quickly began to arrive in increasingly large numbers at their posts of duty.

Here, indeed, was a moving demon-



Future of Telephone Industry

"THE Independent [telephone] industry . . . will spend millions of dollars making its subscribers forget that there ever was a moment's delay in getting a new telephone or changing an old one. Yes, there are bright and happy days ahead when it will be possible to have a telephone in every room in the house, any color the subscriber desires, and dozens of other special features and special services which have always characterized the promotional spirit of this most promising industry."

stration of a great mobilization of that modern army of soldiers of the public service—a mobilization mustered, not by government order or military fiat, but by the rich tradition of devotion and loyalty which dwells in the heart of every man and woman who is a soldier of that gallant army.

THE Pearl Harbor disaster found the telephone industry of the United States organized pretty well in other respects under plans prepared months in advance by the Army Signal Corps.

Information centers had been set up at key points so that aircraft warning organizations could be swung into action upon immediate notice. Parallel lines were already in place in our coastal and border areas to protect our war industry cities and military and naval establishments from the

dangers of surprise bombardment. Such surprise bombardment might well have crippled our war effort at the outset if the enemy had had the determination, resourcefulness, and facilities to follow up the Pearl Harbor attack with further bombing activity on the mainland.

True, these attacks never materialized, but it would be a grave mistake to say that such precautions were in vain or unnecessary. On the contrary, it might well be that the principal deterring element was the enemy's knowledge that once the initial shock of Pearl Harbor had passed, America was organized and alert with her communication facilities prepared for any emergency, and that she had the ability to strike back and vigorously defend her home front.

Such was the fruit of precise and careful plans which had been worked

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out to the last detail by telephone men sitting at tables and desks with Army and naval officers in Washington, New York, Los Angeles, and other key points. Within two hours after the Jap attack, lines which had been built but dead for many months sprang into activity at a given signal. Mobile telephone circuits were set up and rolling over the countryside. The day after Pearl Harbor, thousands upon thousands of messages between military personnel were being handled in and out of telephone exchanges over circuits which had not existed twenty-four hours before.

OVER radiotelephone circuits, America talked with our brave citizens defending the Philippine islands up to the point of surrender. Over similar circuits out of Washington, the State Department and the Executive offices talked, and are still talking, with European, African, and Latin American capitals and other cities of our Allies—exchanging the tremendously important day-to-day messages which gave diplomatic birth to, and shaped up in full fighting form, the victorious combination which has come to be known today as the United Nations.

In Washington, D. C., alone, served by the Bell system, a veritably new city of communication facilities has been built on top of the already elaborate and modern telephone facilities which the nation's capital had before the war. The Pentagon building, largest office building in the world, which houses the U. S. Army brain work and paper work, is a city in itself. Rendering phone service to the Pentagon is especially complicated by the fact that it lies in Arlington county,

Virginia, across the broad Potomac river from the city of Washington proper. This naturally meant extra engineering problems in terms of cable work. And it was just one of the jobs in Washington which the telephone industry took in its stride.

Likewise, our great Independent telephone industry has responded in a number of areas to the special needs of the armed forces in establishing facilities for camps which literally had to be constructed overnight. It is roughly estimated that over 100 central station switchboards, serving from six to seven times as many locations, have been installed and operated by Independent telephone companies throughout the United States for Army installations alone.

THE Carolina Telephone & Telegraph Company, with home offices at Tarboro, North Carolina, is typical of the manner in which Independent telephone companies responded to the call of the armed forces for prompt, adequate, and complete war service. Here was a company already heavily involved, at relatively great expense, in the installation of facilities to handle toll traffic which had become very heavy in that area—even before America went to war.

Some government officials are known to have expressed concern over the possibility that this one company might be committing itself beyond its financial resources to take care of relatively temporary traffic conditions. Yet, on top of that, the Carolina Telephone & Telegraph Company installed and operated extensive facilities *entirely* for such military establishments as Camp Branch and

THE WAR CALLS GO THROUGH

Camp Davis, the Quartermaster Market Center at Fayetteville, and the Maxton Army airfield. Fortunately, the operating experience of this company indicates that the valor of its management will eventually be economically vindicated.

Another Independent, the Peninsula Telephone Company of Tampa, Florida, has its area practically honeycombed with military establishments of various kinds. Likewise the Home Telephone Company of Fort Wayne, Indiana, is serving an airfield, an ordnance depot, and an Army air camp, all of impressive proportions. This is in addition to handling the swollen war traffic of the important industrial city of Fort Wayne.

IN the West, Associated Telephone Company, Ltd., California Water & Telephone Company, and several other Independents throughout Pacific coastal and Gulf regions are performing similar service for numerous airfields, depots, camps, and so forth, in California, Texas, and New Mexico. Reasons of military security forbid the description of the nature and caliber of these installations and, in some instances, even the identification of their locations.

But the fact is that they were built

when the country called for them by an industry that did not hesitate a split second to invest heavily in facilities carrying a high degree of war risk, and which in most instances will be eliminated after the war.

Obviously, the great telephone manufacturing industries, both Bell and Independent, have had to play their component parts in supplementing these war activities of the operating telephone companies. In addition, they have expanded their operations for direct production of defense and combat matériel to such an extent that the making of normal telephone plant equipment has fallen off to a fraction of their work and has to a large degree been terminated altogether in order to conserve critical materials for such direct war production.

Out of the laboratories of these manufacturers have come marvels of electronic improvement which will make postwar communication better than ever in a nation which always did have the best and cheapest telephone service in the world. We read in the war news of the miracles performed by radar, based on years of research and experimentation in electronics by many of the leading scientists in the United States and England. A few years ago such marvels were unbelievable.



Q "TODAY the principle of radar has been employed not only for its sensational aircraft warning and aid-to-navigation characteristics, but for numerous artillery and other combat chores which cannot for obvious reasons be described. Precision items, ranging in size from a 10-cent piece to a medium tank, have been turned out and sent to war by the telephone manufacturing industry. And from all reports from the fronts, these products are doing their jobs well and spreading defeat and dismay to the enemy."

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It was early in March, 1942, that the Chief Signal Officer of the Army voiced the need of a telephone line for military purposes to connect the United States with Alaska. First a preliminary survey was ordered to determine the feasibility of such a project. Then a reconnaissance was made by an officer of the Chief Signal Office from Edmonton (Canada) to Fairbanks (Alaska) along the then-proposed Alaska-Canadian highway. It was decided that a telephone line was practical and that the type of construction should be such as to provide the maximum number of communication channels with a minimum number of physical circuits. Today that line—the longest single telephone line in the world—is an accomplished fact. It links our great territory of Alaska for purposes of military security and war communications to the mother country of continental United States.

The newspapers have already carried numerous stories of the heart-breaking physical task of stringing this wire through hundreds of miles of wilderness, Arctic temperatures, baffling muskeg. It was a job well done by

the Army Signal Corps with equipment made in America—the same kind of equipment, for the most part, which goes into ordinary long-distance telephone service.

FURTHERMORE, a great proportion of the enlisted and commissioned personnel of this same Army Signal Corps (as well as the Army Engineers, and of course the Navy and Marine Corps) are drawn from the ranks of the telephone industry. Many of the boys who were running drop wire right around the old home town in the United States only a couple of years ago are now doing the same thing today on the shell-torn fields of Italy, Normandy, and in the Pacific areas.

The telephone industry at home has gotten along without them as best it could. The number of blue stars which are totaled on the red-bordered service flags of the Bell and Independent industries combined throughout the United States is in the neighborhood of 60,000 and still increasing. The number of golden stars is already in the hundreds and, unfortunately, they also will increase until the day of final victory and peace.

Back home the industry has called on oldtimers who had retired to come back. Inside office workers are "doubling in brass." Legs stiffened with age or lack of practice have once more donned spurs and climbed poles. Somehow the industry is carrying the double burden on the home front with less man power and overextended woman power.

But the thought and hope which spurs us all on is the day when the old-timer and stay-at-home fellow such as this writer can welcome the khaki-

THE WAR CALLS GO THROUGH

clad and blue-clad youngsters back to their old jobs which are waiting for them. When that happy day arrives, the telephone industry has great plans for the youngsters and the older employees alike—plans to build the biggest and best communications service for the best and bravest public on earth.

YES, the telephone industry, including both Bell and Independent branches, has postwar plans—plans for the time when the bright torch of public service can be handed over to the eager and gallant youth returning to civilian employment. It has plans to reward a patient and sporting public which has put up with some necessary inconveniences during the war. These inconveniences, such as the inability of companies in some areas to take on new civilian subscribers without delay, stem from the need to conserve materials and man power required in the total mobilization of the nation's resources for the war effort. The result has been a shortage in available telephone instruments and, in some areas, a shortage in central office and outside plant capacity—shortages incurred in carrying out the limitation orders and otherwise coöperating with the great work of the Office of War Utilities of the War Production Board.

Inability to spare materials or man power for customary maintenance and expansion of plant facilities has also resulted in many telephone companies skimping along as best they can until the day of peace and plenty returns. Right now the telephone industry is proud to "make do" and skimp because it means more punch for our boys across the seas. It is proud of its abil-

ity to render normal or ever-so-near normal service despite these physical limitations. It is proud to do without frills and fresh paint, so to speak, for the time being. For such a cause, as the old song goes, "it ain't no sin, to take off your skin, and dance around in your bones."

BUT the telephone industry has no intention of letting its plant slide down the hill or go without the most scrupulous attention one minute longer than necessary. For this reason it has accumulated a vast backlog of work to be done when there are willing hands to do it. Responsible officials of the Bell system have estimated that that organization will spend as much as a billion dollars for the rehabilitation and expansion of that system in the immediate postwar period. It has already announced plans for the building of 6,000 to 7,000 miles of coaxial cables suitable for transmitting hundreds of telephone conversations, as well as television programs, over a single pair of conductors. It has also already announced experiments for radio relay of telephone messages over a series of booster towers between New York and Boston.

The Independent industry likewise will spend millions of dollars making its subscribers forget that there ever was a moment's delay in getting a new telephone or changing an old one. Yes, there are bright and happy days ahead when it will be possible to have a telephone in every room in the house, any color the subscriber desires, and dozens of other special features and special services which have always characterized the promotional spirit of this most promising industry.



Financial News and Comment

By OWEN ELY

Federal versus Local Claims for Utility "Tax Spoils"

SINCE 1937 Federal taxes levied against the utility industry have increased $4\frac{1}{2}$ times. The total in 1943 exceeded the amount of dividends taken by common stockholders by 63 per cent. (Dividends have dropped \$43,000,000 since 1940.)

The city of Detroit some time ago had the idea of diverting some of this stream of taxes away from the Federal Treasury into the municipal coffers. This originated in an attempt by the city in 1942 to have the company refund customers \$8,000,000 (later changed to a \$4,000,000 refund and a reduction in rates of 25 per cent). The Michigan Public Service Commission turned down the city on both points, holding that rates were reasonable, despite the fact that the city had enlisted the aid of the OPA. The city appealed to the courts on the question whether excess profits taxes should not be excluded from operating expenses in determining rates. The supreme court of Michigan in a 4-to-3 decision has reversed the public service commission on this point.

Meanwhile, to make sure the money stayed in town, the city imposed a 20 per cent tax on gross revenues. While the ordinance was passed November 30th, it was intended to be effective retroactively for the calendar year 1943, and thereafter; and a number of suburbs followed Detroit's example by passing almost identical ordinances in December. The company immediately contested these taxes in the courts, and did not include them in its 1943 income account. It is

not clear exactly how much the tax would amount to on the company's total revenues of \$88,731,211, but probably it would have been substantially in excess of the total amount paid in Federal income taxes, \$14,500,000. The case is still in court.

THE Michigan Supreme Court held in the rate case appeal that the state commission "completely ignores its discretionary authority to exclude those items of public utility operating expenses which place an undue burden on the consumer." In other words, the court took the position in effect that Federal taxes are an *excessive burden on the consumer* and that even though the utility stockholder is hurt in the process, the consumer should be relieved.

The Michigan commission, bowing to the court, has advised all utilities in the state paying Federal taxes that they may be liable to rate adjustments. It has asked these utilities to estimate 1944 excess profits taxes, but this they have refused to attempt. Detroit Edison has asked the court for a rehearing.

As between the two methods of "relieving" the utilities of their excess profits tax payments, the companies are said to favor first a temporary "refund" to customers, and second a rate reduction (which would help increase their sales). But here another Federal agency — the Office of War Utilities — appears in the picture. It doesn't want to see consumption of electricity stimulated by rate cuts, but it probably won't object to the cuts themselves.

An ironic feature is that Prentiss Brown, formerly head of the OPA

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FINANCIAL NEWS AND COMMENT

(which supported the city of Detroit in its first moves), has now become chairman of the Detroit Edison Company.

Meanwhile, other cities have taken their cue from Detroit. The Cleveland city council has ordered a rate reduction of \$1,200,000. (The company may appeal to the state commission.) Cincinnati is making a similar move. Northwestern Electric has been ordered by the state commissioner to make cash refunds of \$310,000 to its Oregon customers as "an emergency rate reduction." Georgia Power Company was ordered to cut rates by over \$1,000,000 (effective June 1, 1944). Public Service Electric & Gas has just taken a \$5,000,000 cut, and New Jersey Power & Light's rate cut (under a "profit-sharing" plan) has been described in this department.

Recent news reports indicated that the Treasury Department had finally taken notice of the local diversion of Federal taxes and might protest, particularly in view of patriotic demands at this time for Federal funds to support the increased war effort. However, Secretary Morgenthau has issued a statement that the department does not wish to be considered as giving even tacit approval to the suggestion being made in some quarters that utility rate reductions should not be put into effect because of the resulting loss of Federal revenues. (See page 52.)

Two Columbia Gas & Electric Plans

COLUMBIA GAS & ELECTRIC presented an integration plan to the SEC at the June 15th hearing. This was the second plan, the first (filed some five years ago) having been turned down by the commission. During the intervening period Columbia had taken several steps in conformity with the act, such as the sale of investments in Michigan Gas Transmission Corporation and Indiana Gas Distribution Corporation to Panhandle Eastern Pipe Line Company in 1942, and liquidation of Columbia Oil &

Gasoline in 1943 (proceeds of both programs being used to retire bonds and bank loans). The plan currently proposed by the corporation is as follows:

I. The preferred, preference, and common stocks of the corporation will be converted into a single new class of common stock.

II. The common stocks of Dayton Power & Light Company and the Cincinnati Gas & Electric Company will be distributed pro rata to the holders of the new common stock (after the Union Light, Heat & Power Company has been acquired by the Cincinnati Company, and adjustments made in the capital structures of those companies).

III. The amount of the debentures now outstanding will be reduced by the use of such cash as the system may properly spare, plus any proceeds received from the disposition of the Cincinnati, Newport & Covington Railway Company and Ohio Fuel Supply Company (a minor subsidiary oil company). The remaining debentures will then be refunded on a serial or sinking-fund basis.

IV. The commission would decide the question of retainability of the outlying Atlantic Seaboard and Home-Binghamton gas properties.

The company has not yet developed a formula for apportioning the new stock among the three present classes of stock, but is initiating detailed studies to determine fair rates of exchange, which will then be embodied in a formal plan to be filed later.

UNITED CORPORATION, statutory "parent" of Columbia because of its 19.6 per cent holdings of common stock, has opposed the above plan and presented its own ideas. Available cash and proceeds from sale of minor properties would be used to retire debentures. Columbia's interest in Union Light, Heat & Power Company, Miami Power Corporation, and West Harrison Electric & Water Company, Inc., would be

PUBLIC UTILITIES FORTNIGHTLY

donated to Cincinnati Gas & Electric Company and the interest in Miami Development Company to Dayton Power & Light Company. Common stock holdings in Cincinnati Gas & Electric and Dayton Power & Light would then be distributed among Columbia's preferred stockholders to satisfy a portion of their claims. Counsel for United Corporation opposed Columbia's plan for conversion of its present stocks to an all-common basis because the attempt at reclassification might "involve long-drawn-out expensive proceedings." He also suggested integration of Columbia's gas properties in the Pittsburgh area with those of Philadelphia Company and Consolidated Natural Gas Company.

W. R. Nowlin of the SEC staff asked for immediate divestment of the two big electric properties, Cincinnati Gas & Electric and Dayton Power & Light, but counsel for Columbia contended that the company would not assent to divestment unless it was part of a plan.

Meanwhile, Columbia's effort to dispose of its transit company, Cincinnati, Newport & Covington Railway Company, to Bayou Interests, Inc., has been enjoined by the owner of 155 shares of stock.

Depreciation — Will NARUC Reconsider?

THE theories and rules on depreciation developed by the public service commission of New York continue to be a highly disturbing factor to some of the largest utility companies, which come under its jurisdiction. Niagara Hudson Power's merger-recapitalization plan was disapproved in January, principally because it did not provide for increasing the consolidated system depreciation reserve by some \$65,000,000, in order to meet the requirements of a retroactive straight-line system of depreciation accruals. This question has been appealed to the courts for determination.

The so-called straight-line theory of depreciation accruals became a "popular

number" among regulatory authorities in sympathy with New Deal philosophy following publication of the NARUC report on depreciation in 1943. The New York commission, while apparently not a member of NARUC, went "whole hog" in applying the straight-line idea—probably further than NARUC intended to go.

The views of the SEC, awaited with interest, were expressed by Chairman Ganson Purcell in his statement before the NARUC committee, March 8, 1944. After praising the report, said:

The depreciation reserve under the straight-line method builds up more rapidly in the earlier years and indeed throughout the life of the enterprise than it does under the interest methods. Accordingly, the use of the straight-line method tends to reduce risks for investors. Furthermore, the direct financial effect of the larger straight-line reserves as compared with compound interest reserves is to reduce the amount of securities that would otherwise be outstanding against the assets of the enterprise throughout its life. These are important advantages. They signify more conservative financial policy than has frequently prevailed in the past. We, therefore, believe that the change-over to straight-line depreciation accounting will afford a greater protection of the financial integrity of public utility companies and thereby strengthen their credit standing.

However, after citing the objections of the Edison Electric Institute committee to "unduly abrupt" methods of changing over to the straight-line method, Mr. Purcell emphasized that the NARUC report did not necessarily advocate arbitrary readjustment of reserves. Adjustments should be made "with due regard for what is equitable and feasible under all of the circumstances of the individual case. . . . Our commission has taken into account the fact that there has been a substantial change in thinking as to proper depreciation practices both on the part of the industry and the regulatory authorities. Accordingly, we have tended to require a gradual rather than an abrupt change-over to straight-line depreciation. More important defects have been eliminated and where it has not been feasible to obtain an ideal

FINANCIAL NEWS AND COMMENT

financial structure immediately, provision has been made for the transition to that goal over a period of years."

MR. PURCELL then referred to the fact that many depreciation reserves have recently been growing rapidly, owing to the application of the standard 15 per cent ratio provided in many bond indentures. With revenues increasing and maintenance work handicapped in some cases by material shortages, charges for depreciation have been abnormally large, and this has materially improved the financial position of the utilities without burden to the security holders or consumers. He pointed out that reserves had increased from 10.8 per cent of plant account in 1937 to 15.5 per cent in 1942, and that annual depreciation and amortization charges had increased nearly \$100,000,000 or 40 per cent during the same period.

Mr. Purcell indicated that the industry's fears regarding unfair retroactive regulation were not justified by a fair reading of the report, and suggested that the committee extend its analysis of the change-over problem to indicate certain principles to cover various types of situations. There are some indications that the committee intends to do this.

The action of the New York commission in the Niagara Hudson Power Case was such as to justify the worst fears of the industry. In 1942 Niagara Hudson Power system had a depreciation reserve amounting to 12.3 per cent of fixed capital, and in 1943 this increased to 14.2 per cent. Allowing for additional write-offs of \$32,000,000 in line with commission ideas, and the proposed \$65,000,000 increase in the reserve, the ratio would have been increased to 27.5 per cent. Elimination of nondepreciable items such as land would make the figure still higher.

Obviously, the commission's theories (which largely followed the testimony of an expert witness) constituted the kind of "abrupt change-over" which the Edison Institute feared and which Mr. Purcell considered inadvisable in

most cases. It is hoped, therefore, that the courts will examine the matter with great care and also that NARUC will give further attention to clarifying this important phase of the depreciation problem.

The public service commission of New York has also "tightened up" its depreciation accounting rules along other lines. Last November it amended the uniform system of accounts with respect to charging off property retirement losses. A formula was set up for charging part of each loss to income or surplus, instead of to the depreciation reserve.

This part relates to the difference between the actual balance in the reserve, and the balance which would have been accrued in the reserve if the reporting company had always followed depreciation reserve accounting. This rule was apparently modeled on a practice of the ICC with respect to railroads, which, however, was explained by the fact that until recently most of the railroads had not been charging depreciation on way and structures. If such a rule were generally applied to all utilities, the present rapid increase in depreciation reserves (as a percentage of property account) would be still further accelerated, and bond indenture requirements might prohibit readjustments in the rate of accrual. Thus current earnings might be substantially understated.

It is perhaps fortunate for the war effort that the major difficulties of the utilities are accounting and financial rather than operating; but it is obvious that sooner or later, unless investors' interests are given some consideration, utility efficiency will decline. It is quite possible that efficiency might be sharply increased in the postwar period, to take advantage of wartime improvement in engineering practice, if capital were readily available. Instead it appears likely that the utilities will follow a policy of capital retrenchment because of the continual and unreasonable attacks on their financial structure.

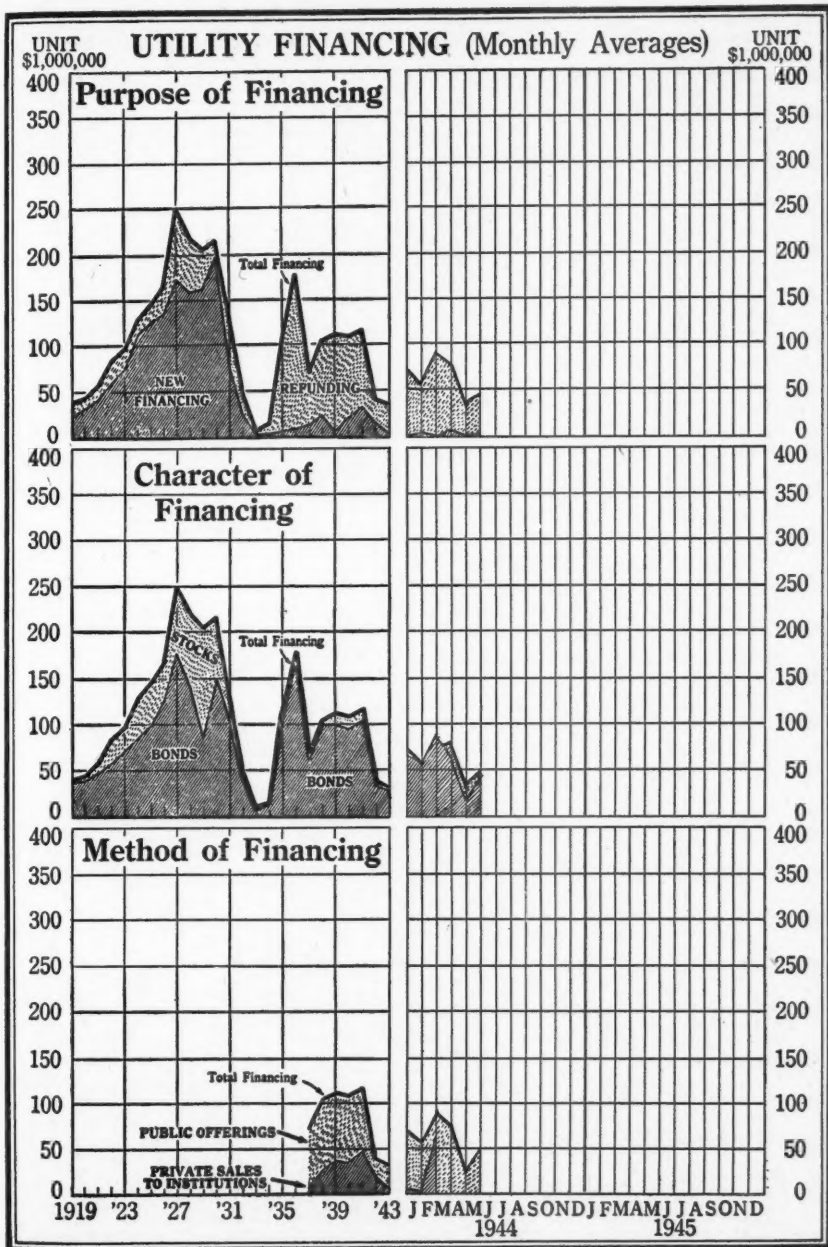
PUBLIC UTILITIES FORTNIGHTLY

INTERIM EARNINGS REPORTS

	End of Period	12-month Period			3-month Period		
		Last	Prev.	Inc. %	Last	Prev.	Inc. %
Electric-gas Holding Companies							
American Gas & Elec. Consol.	Mar.	\$2.23	\$2.07	8%	..	..	..
American Power & Lt. (pfd.) Consol.	Dec.	8.51	6.17	38	\$1.70	\$3.46	D51%
American Water Works Consol.	Mar.	.54	.75	D28	..	..	..
Parent Co.	Mar.	.12	.15	D20	..	..	..
Columbia G. & E. Consol.	Mar.	.30	.45	D33	.25	.32	D22
Com. & Southern (pfd.) Consol.	Apr.	8.00	7.89	1	..	..	..
Elec. Bond & Share (pfd.) Parent Co.	Dec.	4.55	4.26	7	..	..	..
Elec. Pr. & Lt. (1st pfd.) Consol.	Dec.	8.23	10.69	D23	.59	3.93	D85
Eng. Pub. Service Consol.	Apr.	1.79	1.25	44	..	..	..
Federal Lt. & Trac. Consol.	Mar.	1.74	1.64	6	.45	.56	D20
Parent Co.	Dec.	1.70	1.43	19	..	..	..
L. I. Lighting (pfd.) Parent Co.	Mar.	4.36 (c)	4.84 (c)	D10	..	..	..
Middle West Corp. Consol.	Dec.	1.21	1.14	6	.28 (d)	.34 (d)	D22
Parent Co.	Dec.	.59	.56	6	.06 (d)	12 (d)	D50
Nat. Pr. & Lt. Consol.	Dec.	.80	.76	5	.22	.41	D46
Niagara Hudson Power Consol.	Mar.	.22	.32	D31	.06	.08	D25
North American Co. Consol.	Mar.	1.86	1.71	9	.45	.44	2
Parent Co.	Mar.	1.29	1.24	4	..	..	..
Nor. States Pr. (Del.) (pfd.) Consol.	Mar.	5.95	6.03	D1	1.98	2.10	D6
Ogden Corp. Parent Co.	Dec.	.20	.16	25	..	..	..
Public Ser. Corp. of N. J. Consol.	Mar.	..	..	..	.44	.42	4
Std. Gas & Elec. (pr. pfd.) Consol.	Dec.	12.12	12.04	1	..	..	..
United Gas Improvement Parent Co.	Mar.	.23	.46	D50	..	..	..
United Lt. & Rys. Consol.	Dec.	1.49 (b)	2.17	D31	..	..	..
Electric-gas Operating Companies							
Boston Edison	Mar.	2.18	2.11	4	..	..	..
Central Illinois E. & G.	Mar.	1.90	..	..	..	..	..
Commonwealth Edison Consol.	Mar.	1.77	1.78	D1	.46	.45	2
Conn. Lt. & Power	Apr.	2.65	2.54	5	..	..	..
Cons. Edison N. Y. Consol.	Mar.	1.68	1.65	2	.73	.74	D1
Parent Co.	Mar.	1.55	1.82	D15	.52	.62	D16
Cons. Gas of Balto. Consol.	Mar.	4.33	4.13	5	1.17	1.18	D1
Delaware Power & Light	Mar.	1.03	1.05	2	.28	.25	12
Derby Gas & Electric	Dec.	2.36	2.56	D8	..	..	..
Detroit Edison Consol.	Apr.	1.42 (a)	1.30	9	..	..	..
Houston Lighting & Power	Apr.	4.89	5.67	D14	..	..	..
Idaho Power	Apr.	2.09	1.91	10	.50	.33	52
Indianapolis P. & L. Consol.	Mar.	2.09	2.16	D3	.77	.55	40
Pacific Gas & Elec. Consol.	Mar.	2.29	2.25	2	..	..	..
Philadelphia Electric	Mar.	1.33	1.54	D13	..	..	..
Public Service of Indiana	Apr.	1.88	1.91	D2	..	..	..
Public Service of Colorado	Aug.	2.68	2.60	3	..	..	..
San Diego Gas & Elec.	Mar.	.98	.89	10	..	..	..
Southern California Edison Consol.	Mar.	1.37	1.50	D13	.19	.25	D24
Gas Companies							
Amer. Lt. & Trac. Consol.	Mar.	1.31	1.64	D20	..	..	..
Brooklyn Union Gas	Mar.	2.26	1.71	32	.77	.79	D2
Consolidated Natural Gas	Mar.	3.30	..	..	1.61	..	..
El Paso Natural Gas Consol.	Apr.	3.68	3.65	1	..	..	..
Lone Star Gas Consol.	Mar.	.83	.74	12	.77	.71	9
Oklahoma Natural Gas	Apr.	2.82	3.26	D13	..	..	..
Pacific Lighting Consol.	Mar.	3.66	3.28	12	..	..	..
Peoples Gas Lt. & Coke Consol.	Mar.	5.20	6.45	D19	1.52	1.94	D21
Southern Natural Gas Consol.	Mar.	1.81	1.81	..	..	..	..
United Gas Corp. (1st pfd.) Consol. ..	Jan.	17.15	17.11	..	4.85	5.46	D11
Washington Gas Light	Apr.	2.02	2.07	D2	..	..	..

D—Deficit or decrease. (a) No provision made for liability under Detroit municipal tax (in litigation) which might reduce earnings substantially. (b) Assuming dissolution plan of United Light & Power is consummated (to be appealed to Supreme Court). (c) After income appropriations for amortization. (d) Three months ended March 31st.

FINANCIAL NEWS AND COMMENT





A Salute to Public Service

Capacity *versus* Power Load*



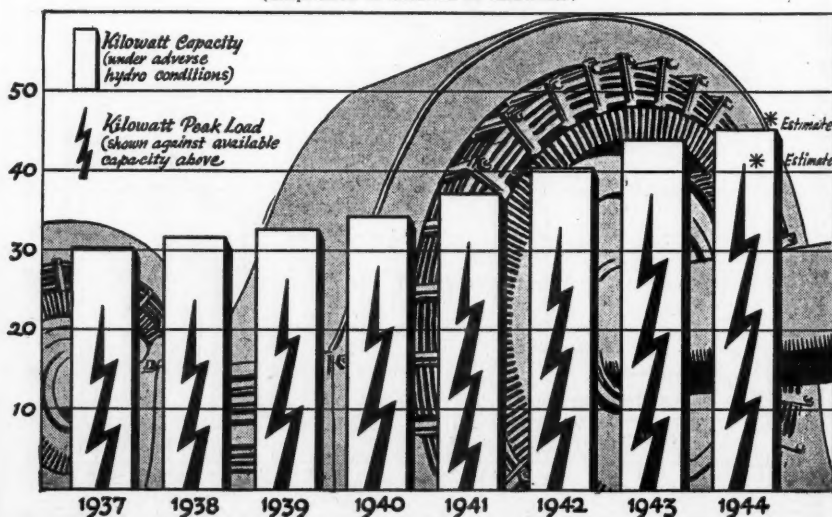
UNDER the watchful eye of the Office of War Utilities and with the full coöperation of operating electric power companies, the nation has witnessed a staggering new high for noncoincidental peak load during the war emergency, without expanding generating capacity all out of proportion with best estimates of demand in the postwar period. This is shown clearly in the chart below, prepared from figures compiled by OWU. It shows that capacity has increased from 30,200,000 kilowatts in 1937 to 45,541,000 kilowatts in 1944, an increase of approximately 50 per cent, whereas peak load in 1937 was 23,132,000 kilowatts as against an estimated peak load of 41,000,000 kilowatts in 1944, an increase of approximately 77 per cent. In

its attempt to maintain an adequate capacity reserve and at the same time hold to a minimum the excess after the war, OWU has calculated capacity of both fuel and hydro plants, allocating to hydro generators only that which they would produce under adverse water conditions.

Figures for the period from 1937-1944 follow, with capacity given first and peak load second: 1937—30,200,000, 23,132,000; 1938—31,700,000, 23,713,000; 1939—32,808,000, 26,205,000; 1940—34,324,000, 28,052,000; 1941—37,360,000, 31,686,000; 1942—40,406,000, 33,121,000; 1943—44,052,000, 37,252,000; 1944—45,541,000, 41,000,000 (estimated peak may be much lower.).

*Major (Class I) utility systems; includes 96-97 per cent of the total.

CAPACITY OF MAJOR ELECTRIC UTILITY SYSTEMS IN THE UNITED STATES
COMPARED WITH PEAK LOAD
(Expressed in millions of kilowatts)



Source: Office of War Utilities
JULY 6, 1944

A SALUTE TO PUBLIC SERVICE

United States Power Load before and During the War*

THE chart below demonstrates the tremendous job which electric utilities had to perform in order to meet the staggering increase in demand for power to turn the wheels of the nation's war plants and supply all other increased demands for energy to the extent permitted by government rules.

The chart shows that in 1937, 115,972,000,000 kilowatt hours were consumed; by 1941, the first real year of war production, this had risen to 162,316,000,000. The estimated consumption for this year is 225,000,000,000, nearly twice as much as the amount consumed in the prosperous prewar year of 1937. Figures for other years follow: 1938—111,168,000,000; 1939 — 124,824,000,000; 1940 — 140,948,000,000; 1942—183,497,000,000; 1943 — 215,086,000,000.

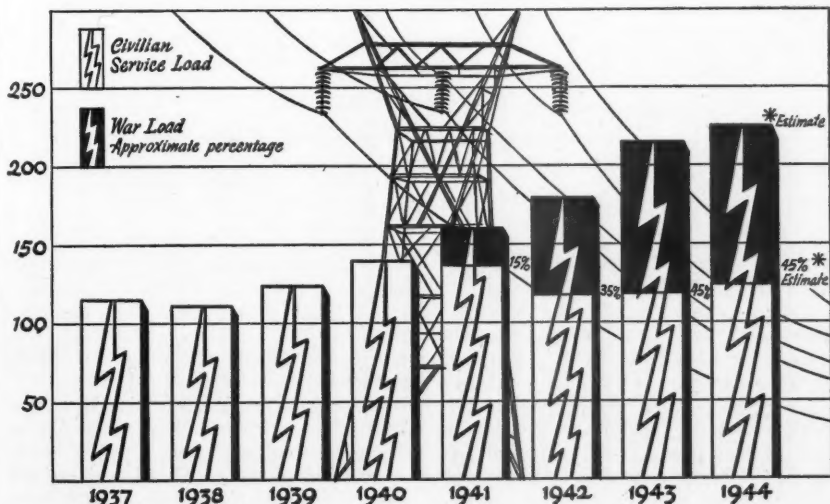
While it is difficult to estimate precisely the war load, there are defi-

nite guides which lead to fairly reliable figures. Using these guides, about 15 per cent of the total load in 1941 was applied to the war effort; in 1943, 45 per cent went to the war effort; and in 1944 the amount is expected to be about the same, although it may vary from 40 per cent upward, depending upon war developments. The real peak of production was reached in the latter part of 1943, but still more energy will be consumed this year than last year because heavy usage is being generally maintained. In addition to the 1944 OWU estimates, the Federal Power Commission estimates unofficially that 50,000,000 more kilowatt hours will flow into production from industrial plants producing their own energy.

*Major (Class I) utility systems; includes 96-97 per cent coverage of kilowatt hours.

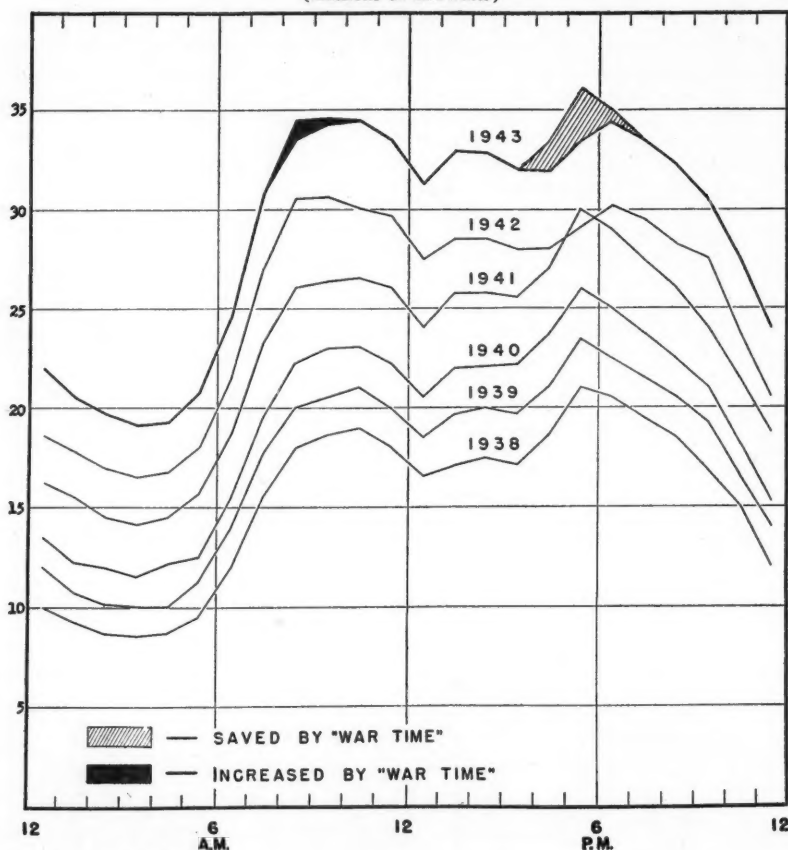
ENERGY FOR LOAD SUPPLIED BY ELECTRIC UTILITY SYSTEMS IN THE UNITED STATES

(Expressed in terms of billions of kilowatt hours)



Source: Office of War Utilities

PUBLIC UTILITIES FORTNIGHTLY
WAR TIME REDUCES ELECTRIC PEAK LOAD CURVES FOR TYPICAL
DECEMBER DAY
 (Millions of kilowatts)



Source: Office of War Utilities

OWU is strongly in favor of continuing war time. It is opposing bills in Congress which would turn the clocks back an hour to standard time. The reason for the OWU attitude is shown in the above chart. OWU claims that on a typical December day in 1942 and in 1943, a 1,500,000-kilowatt reduction was effected in peak load. The total saving in 1943 is estimated at 1,600,000,000 kilowatt hours and slightly less than that in 1942.

JULY 6, 1944

This chart was prepared as supporting argument before congressional committees holding hearings on the "standard time" bills. To avoid confusion, the amount saved by war time in 1942 is not shown because the 1941 peak overlaps the 1942 peak and would detract from the clarity of the picture. All of the savings were effected by reducing the early evening peaks. This, in spite of the fact that war time slightly increased the morning peaks.

A SALUTE TO PUBLIC SERVICE

The Gas Industry and the War

DESPITE severe shortages of materials and man power, the gas industry could well look upon the calendar year of 1943 as a great accomplishment. While essential civilian services in the home and elsewhere were maintained, gas facilities were expanded to increase the output of gas fuel needed by industry to meet every requirement of the war emergency without curtailment of supply.

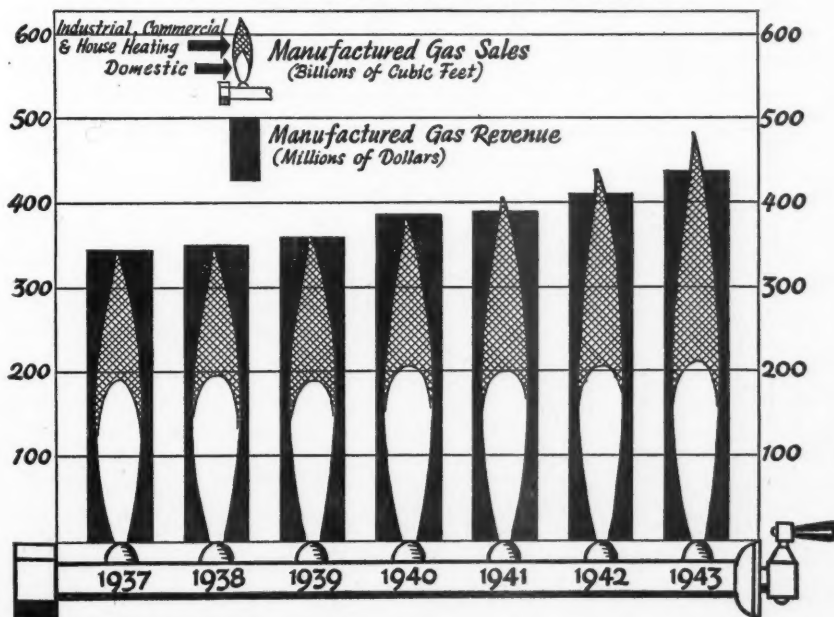
Nearly 20,000,000 customers, to be exact—19,450,000, were being served with gas at the end of 1943—an increase of 1.9 per cent over the preceding year. The manufactured gas branch of the operating utility industry (including those companies serving "mixed" gas) was serving 10,696,000 customers, while the natural gas branch of the industry was serving 8,754,000 customers.

The accompanying charts clearly show

how the increasing amount of gas sold by both branches of the industry during recent years was not accompanied by any corresponding increase of industry revenues collected from the general public. This is especially true of the natural gas industry whose services were tremendously expanded to meet the special requirements of the nation's war effort. Estimates of the former National Resources Planning Board released early in 1943 indicated that the nation's strategically important synthetic rubber program would require a degree of consumption of natural gas (for the single purpose of expanding production of carbon black) which might well exceed all residential uses of natural gas.

Basic figures illustrated in the charts for the years 1937 through 1943 are shown on the following page.

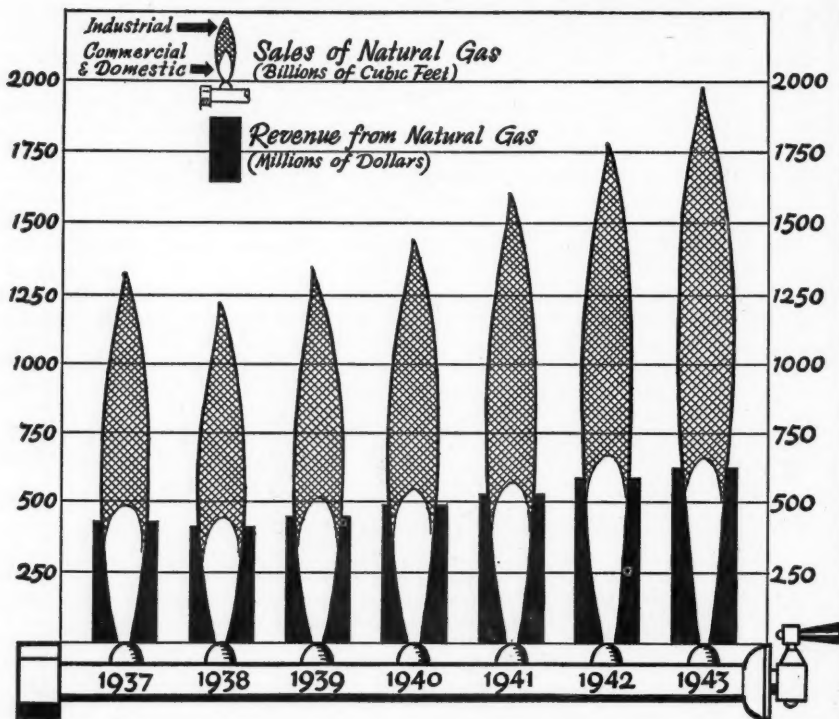
COMPARATIVE REVENUE AND SALES OF MANUFACTURED GAS
IN PUBLIC SERVICE IN THE UNITED STATES



Source: American Gas Association

PUBLIC UTILITIES FORTNIGHTLY

COMPARATIVE REVENUE AND SALES OF NATURAL GAS IN
PUBLIC SERVICE IN THE UNITED STATES



Source: American Gas Association

**Total Sales of
Natural Gas**
(Billions of
cubic feet)

1937..	1,318
1938..	1,214
1939..	1,332
1940..	1,443
1941..	1,607
1942..	1,767
1943..	1,983

**Revenue from
Natural Gas**
(Millions of
dollars)

\$447
420
453
495
528
583
633

THE manufactured gas industry also showed an increase in sales during recent years without a corresponding increase in revenue, although the difference was not so marked as in the case of natural gas. The following tabulation from statistics of the American Gas Association shows growth of revenue and sales:

**Manufactured
Gas Sales**
(Billions of
cubic feet)

1937..	344
1938..	345
1939..	358
1940..	387
1941..	403
1942..	441
1943..	481

**Manufactured
Gas Revenues**
(Millions of
dollars)

\$345
353
360
376
385
410
438

Out of 1,983,487,000 cubic feet of natural gas sold in the United States in 1943, 1,314,300,000 cubic feet were sold for industrial purposes as compared with 505,488,000,000 cubic feet sold for domestic use, including house heating. Commercial use accounted for 163,699,000,000 cubic feet.

JULY 6, 1944

A SALUTE TO PUBLIC SERVICE

Out of a total of 481,000,000,000 cubic feet of manufactured and mixed gas sold in 1943, 214,941,000,000 cubic feet were sold for domestic service, 88,741,000,000

for house heating, 57,086,000,000 for commercial use, 116,968,000,000 for industrial, and 4,036,000,000 for miscellaneous purposes.

Progress of Rural Electrification

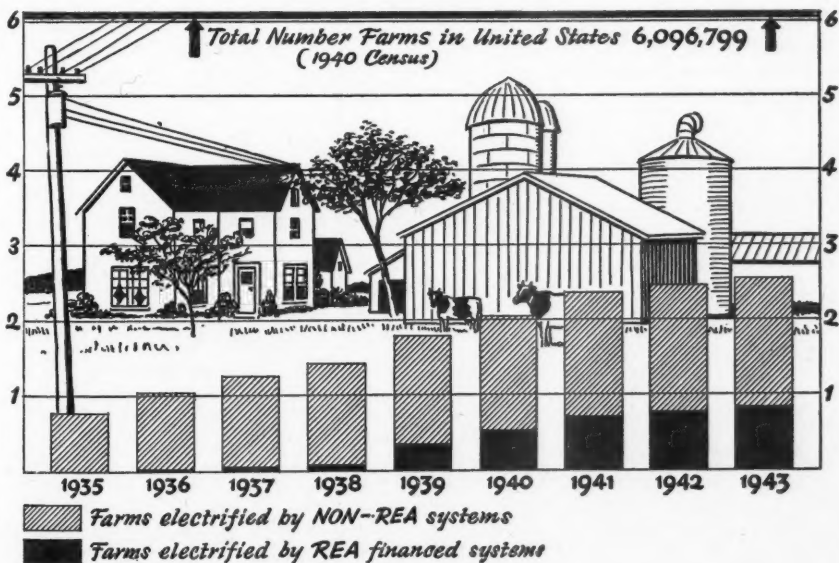
THE chart below is intended to show for the first time a true relationship between the number of farms electrified with central station service by REA-financed systems, as against those served by non-REA systems, principally private utilities but including other service agencies such as municipalities. In the past some statements and figures released on the subject have been confusing and have included as REA "farm service" great numbers of homes served as a result of acquisitions in rural communities up to 1,500 or more which already had been receiving service, and also serv-

ice to other rural homes incidental to extensions to regular farms.

The figures show that at the end of 1943 only 76.8 per cent of the REA-connected customers were actually farm customers. The REA farm figures in the chart are based upon the Census Bureau's definition of a farm, which is any agricultural operation conducted on a tract of three acres or more or any operation conducted on a smaller tract which produces \$250 per year in agricultural commodities of any kind.

The figures used to prepare the chart were obtained from the REA, the Edi-

RELATIVE PROGRESS OF RURAL ELECTRIFICATION THROUGH REA AND NON-REA AGENCIES



Source: See text above.

PUBLIC UTILITIES FORTNIGHTLY

son Electric Institute, and the Bureau of the Census. To avoid confusion as to varying total farms in different years, only the farm census of 1940 (the most recent available), which listed 6,096,799 farms in the United States, is used. Census Bureau has no official figures on the present number of farms in the nation, but estimates that, if anything, the number is smaller than it was in 1940, because many farm people have moved into cities to take war jobs and many have gone into the services. As a result, there has been a certain amount of farm consolidation. The probability is that the total acreage is about the same or greater than it was in 1940.

IN 1935, when REA was created and before it had opportunity to get its program under way, there were 788,795 farms in the nation receiving central station service from private utilities and other service agencies, or approximately

13 per cent of total farms in the United States—based on the 1940 Census Bureau figures.

The number of farms electrified increased rapidly each year, and in 1943 reached a total of 2,556,212, or approximately 42 per cent of the total farms. Of the 2,556,212 farms, REA has electrified 834,851, or 32.6 per cent, while private utilities and other service agencies have electrified 1,721,361 farms, or 67.4 per cent of the total farms electrified. Private utility service constitutes more than 90 per cent of the non-REA farm extensions.

It is generally conceded that the very existence of REA has influenced, to some extent, further efforts of private utilities to make extensions into farm areas. The chart and figures show that REA has been considerably outdistanced in these extensions by the private utilities even since 1935.

The tabulation follows:

	1935	1936	1937	1938	1939
Number of farms in the U. S. ¹	6,812,350	....	....	....	....
Farms electrified by REA-financed systems ²	....	554	15,689	75,298	338,603
Farms electrified by private utilities and other (principally municipalities) service agencies	788,795	1,042,370	1,225,816	1,331,281	1,447,397
Farms electrified by other service agencies (principally municipalities)	788,795	1,042,370	1,225,816	1,331,281	1,447,397
Total farms served ³	788,795	1,042,924	1,241,505	1,406,579	1,786,000
	1940	1941	1942	1943	
Number of farms in the U. S. ¹	6,096,799	....	....	....
Farms electrified by REA-financed systems ²	525,129	715,644	784,520	834,851	
Farms electrified by private utilities and other (principally municipalities) service agencies	1,544,630	1,636,959	1,701,710	1,594,831 ⁴	
Farms electrified by other service agencies (principally municipalities) .....	....	....	....	126,530	
Total farms served ³	2,069,759	2,352,603	2,486,230	2,556,212	

¹ As reported by U. S. Census of 1935 and 1940.

² As reported by REA borrowers.

³ As published in Edison Electric Institute statistical bulletins as of December 31st of each year.

⁴ Number served by private utilities only.

How the Utility Dollar Is Divided

GROSS operating revenues of privately owned Class A and Class B electric utilities were more than \$800,000,000

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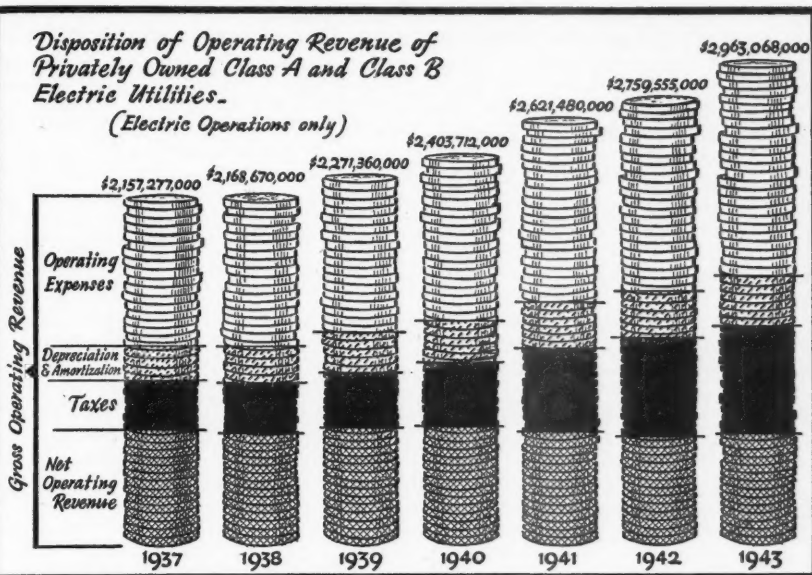
greater in 1943 than in 1937, as revealed by compilations made by the Federal Power Commission. Higher operating

A SALUTE TO PUBLIC SERVICE

DISTRIBUTION OF REVENUES OF CLASS A AND B ELECTRIC UTILITIES IN THE UNITED STATES

Disposition of Operating Revenue of Privately Owned Class A and Class B Electric Utilities.

(Electric Operations only)



Source: Federal Power Commission compilations. (For details see tabulation below.)

expenses and taxes took all of the increase and net operating revenues were actually \$27,000 less in 1943 than they were in 1937. The chart above shows the disposition of gross operating revenues for each of the years from 1937 through 1943.

Since 1937 taxes have gone up about 118 per cent, and operating expenses have risen about 41 per cent. Depreciation and amortization allowances increased slightly; net operating revenue dropped slightly. Thus, while the war has sharply boosted revenue, net return to

security holders has decreased. The same trend is shown for the first quarter of 1944, compared with the same period in 1943 and 1942. Electric operating revenues were 13.8 per cent higher in the first quarter of 1944 than in 1943 and 4.9 per cent higher in the first quarter of 1943 than in 1942. Taxes for the first three months in 1942 were 23.7 per cent of revenues; in 1943, 24 per cent; and in 1944, 24.2 per cent. Stock dividends fell from 14.1 per cent of revenues in the first quarter of 1942 to 11.9 per cent in 1944.

The figures follow (000 omitted):

	1937	1938	1939	1940	1941	1942	1943
Gross operating revenue.	\$2,157,277	\$2,168,670	\$2,271,360	\$2,403,712	\$2,621,480	\$2,759,555	\$2,963,068
Operating expenses	928,628	930,252	957,284	1,013,190	1,125,000	1,181,738	1,310,934
Depreciation & amortization	212,865	223,540	243,178	256,395	274,912	285,809	295,624
Taxes	305,428	319,122	343,195	397,400	512,029	616,606	665,132
Net operating revenue	710,356	695,755	727,703	736,727	709,537	675,402	683,749

PUBLIC UTILITIES FORTNIGHTLY

Progress of American Telephony

THE telephone industry of the United States, including both the so-called Bell system companies controlled by the American Telephone and Telegraph Company and the American independent telephone industry, have established an enviable record for serving more people at less cost with constantly improved service than any other country in the world. Indeed, the total number of telephones which can be interconnected in public service in the United States is estimated at more than 26,000,000 subscriber stations in 1943 for both the Bell and independent industries, or approximately double the number of telephones in 1925.

Of equal interest, however, is the increasing use to which the telephone is being put, especially under the stress of wartime conditions. The chart below shows the steady growth in annual telephone conversations from less than twenty-five billion calls in 1937 to approximately thirty-one and a third billion calls in 1943.

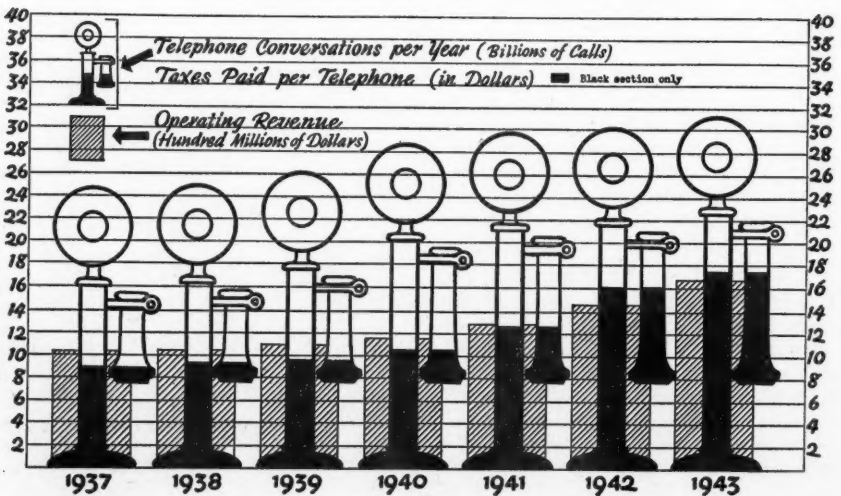
Astonishing also is the increase in the average taxes paid per telephone to Federal and local governments. This figure had risen from approximately \$9 per telephone in 1937 to \$17.55 per telephone in 1943. The revenue of the Bell system, on the other hand, did not increase proportionately. From little more than \$1,000,000,000 in 1937, Bell system revenue increased to \$1,680,000,000 in 1943.

Much of the increase in telephone traffic is due to the impact of the war, especially in the matter of long-distance conversation. In 1935 the Bell system had handled approximately only 35,000,000 long-distance calls. In 1943 it handled nearly 150,000,000.

The chart on page 51 shows the constant reduction in the cost of long-distance service to the American people, taking an average station-to-station rate for a 3-minute call between the 25 largest American cities. (Average air-line distance 937 miles.) The rate had dropped from \$7.17 in 1916 to \$2.10 in 1943.

And this was only in the "station-to-

COMPARATIVE GROWTH OF TELEPHONE TRAFFIC, INDUSTRIAL REVENUES, AND TAXES PAID FOR THE BELL SYSTEM



Source: Annual reports of the American Telephone and Telegraph Company

A SALUTE TO PUBLIC SERVICE

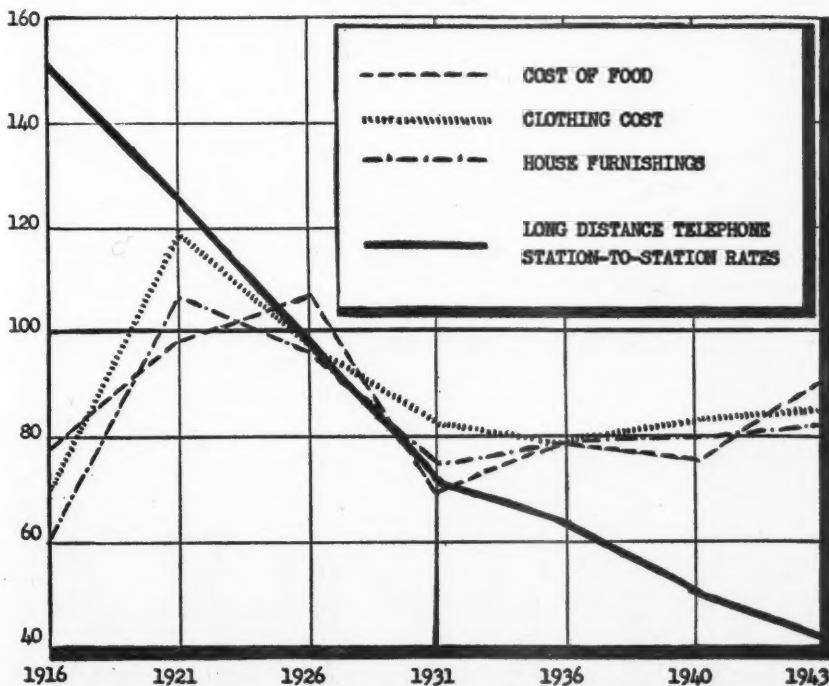
station" classification. Similar reductions have been made in various other classes of service, including person-to-person calls, Sunday calls, and the charge for "overtime." The evening rate has been lowered and the hours extended.

The Federal Communications Commission, since its establishment in 1934, has been working constantly with the telephone industry in a successful effort to bring down the cost of interstate telephone service as much as possible. A dollar spent today, compared with what it would buy in 1916, would bring the average American consumer 28 per cent less food, 35 per cent less clothing, 40 per cent less house furnishings, but 216 per cent *more* long-distance service.

THE Federal Communications Commission estimates that altogether \$90,000,000 in reductions have been made in various classes of interstate telephone service since 1935, and this would even amount to as much as \$200,000,000 if based on 1934 rates and giving due consideration to the increased volume of business.

Reductions in local exchange rates have also been made in recent years but less spectacularly because of the peculiarities of telephone economics which result in increased operating expenses with the increased amount of subscriber stations and switchboard traffic, which in turn increases, of course, the value of the service to the individual subscriber.

COMPARATIVE TREND IN TELEPHONE TOLL CALL COSTS AND COST OF LIVING IN THE UNITED STATES
(1923-25=100)



Source: Indices for cost of food, clothing, and house furnishings from U. S. Bureau of Labor Statistics data on "Cost of Living in Typical American Cities," adjusted to 1923-25 basis. Indices on long-distance telephone station-to-station rates based on 3-minute calls between twenty-five of the largest cities in the United States—average air-line distance 937 miles.



The March of Events

Olds' Confirmation Delayed

ACTION on President Roosevelt's renomination of Chairman Leland Olds of the Federal Power Commission, whose term expired June 23rd, was deferred until July 6th by a Senate Interstate Commerce subcommittee on June 19th.

A reported half-million dollar "fee" to Curtis Dall, first husband of the President's daughter, was said to have figured in the decision, which will leave the agency temporarily without a head.

Olds also has been under fire in some quarters of Congress for alleged Communistic sympathies. His appointment by Mr. Roosevelt in 1939 was assailed as a political pay-off to the American Labor Party of New York.

Members of the 5-man subcommittee, headed by New Deal Senator Wagner, Democrat of New York, were inarticulate. The postponement was voted in an executive session, notice of which was not given to the press. Other members of the subcommittee are Senators Tunnell, Democrat of Delaware; Johnson, Democrat of Colorado; Moore, Republican of Oklahoma; and Hawkes, Republican of New Jersey.

Dall, former son-in-law of the President, was president of the Tennessee Gas & Transmission Company, which was sold to a Chicago corporation after the Tennessee Company had obtained an FPC ruling permitting it to build a natural gas pipe line from Texas to West Virginia.

The Chicago corporation obtained a loan in excess of \$40,000,000 from the Reconstruction Finance Corporation to build the line which is now under construction. A Standard Oil (New Jersey) subsidiary, which had proposed to build the line with its own money, was turned down by the FPC in favor of Dall's concern.

The Tennessee Company submitted to the FPC a projected balance sheet which carried a \$1,000,000 item for attorney's fees and other expenses, one-half of which was said to be in payment for Dall's services. The Senate subcommittee was reported desirous of inquiring further into this transaction.

Treasury Neutral on Rates

THE Treasury Department has no intention of opposing reductions in utility rates to

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avert adverse effects on Federal revenues, Secretary Morgenthau declared recently. He made the statement, he said, to contradict "an impression created by recent press articles."

"The department," Mr. Morgenthau said, "does not wish to be considered as giving even tacit approval to the suggestion being made in some quarters that public utility rate reductions should not be put into effect because one result would be a loss of Federal revenue, particularly through reduction or elimination of Federal excess profits taxes."

"Public utility rates are under the jurisdiction of public regulatory bodies, usually state public service commissions, set up for the purpose of protecting the public by seeing to it that the rates charged are reasonable. The responsibility is theirs, and if the setting of reasonable rates results in the Federal government collecting less excess profits taxes, the Treasury Department is prepared to accept that result."

Power Consumption below WPB Estimates

CONSUMPTION of electric power has shown a steady decline and in view of the outlook for production cutbacks this year is expected to drop still further, it was reported recently.

Demand for power for May and June, for example, declined more than War Production Board estimates. While officials refused to release tentative figures, they did say that currently the drop in consumption is "more than anticipated."

The 44,132,500 kilowatts of dependable facilities estimated for this year compares with the Federal Power Commission's figure of peak demand of last December of 37,060,061 kilowatts and an April, 1944, demand of 35,851,358 kilowatts. Actually energy consumed has declined from December at about the same rate.

This year's expansion was tentatively fixed at 1,500,000 kilowatts and next year's at 500,000 kilowatts or less.

FPC Approves Rates for Limited Time

THE Federal Power Commission on June 19th announced its order approving rates and charges in a power sales agreement to continue in effect until July 1, 1949, or until six months after the present war, whichever is

THE MARCH OF EVENTS

earlier, between the Southwestern Power Administration, Tulsa, Oklahoma, and the Texas Power & Light Company, Dallas, Texas, for the sale of electric energy produced at the Denison dam project on the Red river, Oklahoma-Texas, to the Texas Power & Light Company. The power sales agreement, dated May 3, 1944, was filed for FPC approval by the Acting Secretary of the Interior on May 5, 1944, as required by Executive Order No. 9373.

The agreement is expressly designed to meet existing war emergency conditions without establishing a permanent policy in respect to the disposition of electric power and energy of the government. In its order last month the FPC finds that the agreement provides for the disposal of the electric energy generated at the Denison dam at rates which, "although not ordinarily appropriate for this type of project, may, so long as only one generating unit is installed, substantially reimburse the government for the annual costs allocable thereto."

Under the terms of the agreement, Texas Power is to pay 5 mills for primary energy and 2½ mills "on-peak" and 1 mill "off-peak" for secondary energy, with a reduction to 2 mills for primary energy under certain conditions. The company is to lower rates to certain classes of customers and certain war customers by an amount which the Acting Secretary of the Interior estimates will reach approximately \$400,000 a year.

The power plant at the Denison dam is designed primarily for operation to provide power capacity, with an initial installation of two generating units aggregating 70,000 kilowatts of capacity and an ultimate installation of five generating units aggregating 175,000 kilowatts of capacity. Appropriate rates for electric power generated at the project should accordingly include both demand and energy charges, the order stated.

However, it added, because of war restrictions on materials and labor, only one generating unit of 35,000 kilowatts of capacity had been installed. The commission's approval is expressly limited to the sale of energy generated by the existing unit during the specified term of the power sales agreement and will terminate when the second unit is installed.

The agreement provides, in substance, for delivery to Texas Power of 30,000 kilowatts of primary power capacity and 10,000,000 kilowatt hours of primary energy a month and all available secondary energy not otherwise disposed of. It reserves 5,000 kilowatts of primary power capacity for sale to Southwestern Power Administration's customers in Oklahoma and provides for more under certain conditions. The agreement further provides that in order to utilize all available water at the Denison, Norfork, and Grand River dams, and to coordinate fully their operation, the government's right is reserved to fulfill its commitments by delivery into the company's system from Norfork or Grand river projects.

Supreme Court Grants Plea

THE United States Supreme Court, in its final term before the summer recess, granted a request by Otis & Co., Cleveland, that it review a rule announced by the Securities and Exchange Commission regarding the treatment of securities of public utility holding companies forced to liquidate under the Holding Company Act.

Otis & Co. based its protest on the action of the SEC in approving a liquidation plan of United Power & Light Company, a Delaware holding concern. The plan called for distribution of assets to preferred and common stockholders on the basis of 94.52 per cent and 5.48 per cent, respectively.

The appellant firm argued that the SEC's decision failed to follow a rule of "absolute priority" dictated by the Supreme Court in bankruptcy proceedings. The rule provides that the holders of the highest-grade securities in a company are entitled, in a distribution of assets, to complete liquidation of their claims before any share can go to junior security holders.

Priority to River Waters Disputed

ONLY by amending the Federal Constitution, Governor M. Q. Sharpe of South Dakota declared recently, can priority to the river waters of the nation be allocated to any class of users.

Governor Sharpe, appearing before a Senate Commerce subcommittee in Washington to urge approval of an omnibus Flood Control Bill, asserted that the various claimants to water must be willing to trust in the good judgment of Congress.

Largest project in the bill is the Army Engineers' plan for a dozen flood-control reservoirs on the Missouri river.

Prior to Sharpe's appearance, Interior Secretary Ickes had urged the committee to amend the bill to assure an adequate supply of water for domestic, irrigation, and industrial uses in the upper Missouri basin.

The Gavins Point, Garrison, and Oahe projects in the Dakotas present the only major differences between plans of the Army Engineers and Reclamation Bureau for control and development of the Missouri river and its tributaries, the Senate subcommittee was told. So close did Senator Robertson, Republican of Wyoming, find the two plans in agreement on the pattern for irrigation, flood control, and power facilities that he suggested that, in view of the fact that the flood-control projects in the omnibus bill are for postwar construction, a full agreement might be reached.

Reclamation Commissioner Harry Bashore challenged earlier testimony that multiple-purpose dams were not feasible and gave the committee a record of 81 storage dams of this

PUBLIC UTILITIES FORTNIGHTLY

character built by the bureau which he said impounded 69,000,000 acre feet of water.

Harry Trustin, Omaha city official, accused "professional planners" of muddling the Missouri river program. He urged that "minor differences" of opinion be overlooked and the flood-control program got under way.

Commending the Army's flood-control plan, which is incorporated into the bill, he asked the committee to note that Brigadier General Lewis A. Pick, who drafted the Army's proposal, specifically planned for multiple use of the facilities to be constructed. He quoted from the Pick report that "the water . . . will be utilized to produce the maximum practicable development of irrigation, navigation, power, and other multiple purposes."

Trustin described the controversy over the bill as a fight for empire which involves much more than the Missouri river basin.

Senator Clark of Missouri said he would offer an amendment to the \$810,000,000 postwar flood-control plan, to establish a Missouri river commission for development and control of the Missouri basin, and to give Army Engineers control over all dams and reservoirs.

Public Asked to Forego Travel

THE public was urged on June 10th by Colonel J. Monroe Johnson, director of the Office of Defense Transportation, to refrain from making summer vacation plans requiring railroad or intercity bus travel. Reservations of railroad and bus passenger space may be canceled without notice because of increased military movements, he warned.

Preparations for the invasion put a terrific burden on the country's transportation service, he said, and to this now must be added the task of getting war casualties from overseas to general hospitals in this country, and later to special treatment hospitals.

Additional transportation, Colonel Johnson

added, will be required for trips by military personnel to replacement centers and to provide for their furloughs.

Investigation Ordered

THE U. S. Fourth Circuit Court of Appeals on June 13th reversed the district court and ordered a further investigation of the reorganization of the Central States Electric Corporation.

The case, originating in the Eastern District Court of Virginia, was brought by the committee for holders of Central States Electric Corporation 7 per cent cumulative preferred stock against J. Floyd Kent and Overton B. Dennis, trustees for the CSEC.

Quebec Action Delayed

PREMIER Adelard Godbout announced recently that the newly formed Quebec Hydro Commission had not yet obtained sufficient data to make an offer of indemnity to shareholders of Montreal Light, Heat & Power Consolidated, whose electricity and gas facilities were expropriated by the government two months ago.

The facilities of the big power company were taken over after an expropriation bill was passed by the provincial legislature. The bill provided that an offer of indemnity be made by June 13th.

The Premier said Quebec Hydro "will have to abide by the decision of the courts" unless a settlement could be reached with shareholders.

Under the terms of the expropriation bill, Quebec Hydro assumed liability for \$78,000,000 in bonds of MLH&P, with the price to be paid shareholders left for later assessment. Shares of the expropriated company had shown strength on the Montreal Stock Exchange early this month, apparently in anticipation of a definite offer.

Alabama

Commercial Rates Cut

A REDUCTION of \$318,000 a year in commercial rates of the Alabama Power Company was ordered recently by the state public service commission.

The reduction, effective July 1st, would amount to slightly more than 9 per cent of the 1943 commercial charges made by the company, according to Commissioner Clint Harrison.

The rate cut was made after a series of conferences between Commissioners Harrison and Gordon Persons, and W. M. Stanley and E. C. Easter, officials of the power company.

The new commercial rate schedule pre-

scribed for customers of the power company by the rate-fixing body makes no change in the first bracket or minimum charge. Both the new and the old rates call for a \$1 charge for the first 20 kilowatt hours.

The new rates fix 3½ cents per kilowatt hour for the next 100 kilowatt hours; 3 cents for the next 280 hours; 2 cents for the next 900 hours; and 1 cent an hour for all over 1,300 hours.

The old rates, aside from prescribing \$1 for the first 20 kilowatt hours, had provided that 3½ cents per kilowatt hour be charged for the next 730 hours; 2½ cents for the next 4,250 hours; and 2 cents an hour for all over 5,000 kilowatt hours.

THE MARCH OF EVENTS

Arkansas

Purchase Proposal Beaten

ATTEMPTS of three aldermen to open negotiations for purchase of the city's natural gas distributing system blew up when Acting Mayor Charles D. Davis broke the first Little Rock city council tie vote in seven years to defeat a resolution presented by Aldermen Sam M. Wassell, J. D. Jordan, and H. R. Coffman at the meeting of the Little Rock city council early last month.

The resolution, which proposed appointment of a committee to negotiate with the Arkansas-Louisiana Gas Company and the Cities Service Company looking to the purchase of the gas distribution system and to determine a price, was presented as a surprise to a majority of the aldermen, it was said.

R. A. Curran, manager of the Arkansas Louisiana Natural Gas Company, appeared at the meeting to deny that the properties are for sale, although Cities Service Company, holder of 70 per cent of the stock, has elected at direction of the Federal Securities and Exchange Commission, to operate its wholesale gas distribution system and sell its retail outlets. Under the SEC ruling the company was ordered to choose between wholesale or retail plants.

The proposal said that a 1935 Arkansas law provides that any public utility accepting and operating under its franchise is considered to have consented to future purchase of its properties actually used or useful for the convenience of the public by the municipality in which it is situated.

"The public seems to be under some misapprehension concerning the Arkansas Louisiana Gas Company," Mr. Curran said. "Our attorneys feel we have the opportunity of getting the SEC reversed. If Cities Service sells its controlling stock to the Arkansas Louisiana

Gas Corporation, the properties of the company in Little Rock are not for sale."

Bond Issue Approved

THE Arkansas Utilities Company and associated interests moved nearer consolidation when the state utilities commission early last month approved a plan to sell \$1,665,000 in 4 1/2 per cent bonds.

Bonds would be sold to the John Hancock Mutual Life Insurance Company for 104.35 per cent of their par value, proceeds of which would retire a debt of \$1,555,000 to the insurance company and restore working capital of the company and its subsidiaries.

The commission approved the company's plan to buy from Gus B. Walton, trustee for its stockholders, \$962,000 in 7 per cent first mortgage bonds of the Citizens Electric Company of Hot Springs (all the outstanding bonds) and all 25,000 shares of common stock. The company in turn assumed a note with outstanding principal of \$1,555,000 to the insurance company (on a debt incurred by the Hot Springs Utilities Company), and in addition gave Mr. Walton a note for \$182,378.95 at 4 per cent interest, payable in twenty years.

The Arkansas Utilities Company recently bought several utilities at Hot Springs, the Arkansas General Utilities properties at Warren, and several utility properties in the Helena area. It leased electric properties at Helena and Hot Springs to the Arkansas Power & Light Company for \$120,000 and \$225,000 per year, respectively. It has before the commission now an application to lease the Warren electric properties to AP&L.

The company listed in its capital structure \$2,588,676.25 in the plant account and \$1,743,632.71 in securities.

California

Trolley Bill Passed

THE state assembly last month voted approval of a bill designed to prevent delay in San Francisco's acquisition of the Market Street Railway, authorized by voters at the May primary election.

The legislation provides that stockholders of the utility company may approve the sale by

a majority vote rather than a two-thirds vote as required by the present law. The senate has approved a similar measure. Governor Warren was expected to approve the completed bill. Dion Holm, utility attorney for the San Francisco public utilities commission, suggested the measure to clear the sale if the two-thirds vote could not be obtained without delay.

Colorado

Will Ask Speedy Refund

A PETITION asking for dismissal of the Colorado Interstate Gas Company's request

for a further stay in Denver's action to obtain refund of excess gas rate charges was reported being prepared last month by City Attorney Malcolm Lindsey and Assistant City Attorney

PUBLIC UTILITIES FORTNIGHTLY

Thomas H. Gibson for filing in the Tenth United States Circuit Court of Appeals.

The city will assert the company failed to put new rate schedules into effect, that it is now illegally charging rates in excess of those authorized in a recently issued court order, and will seek immediate enforcement of the court's directive, Lindsey said.

It also will contend no court is vested with authority, under present circumstances, to order a further stay of action.

The city previously had petitioned the court for custody of \$2,000,000 claimed owing and payable to gas users. The mayor, under a proposed plan, would appoint a manager for the city as trustee to handle the refund.

Connecticut

Fuel Cost to Figure in Rate Base

AN order providing a uniform basis for the inclusion of fuel adjustment clauses in electric rate schedules was issued on June 14th by the state public utilities commission. Reason for the order, which permits the electric utility companies to adjust their rate schedules up and down to keep pace with varying costs of fuel used by them, is that rates are figured very closely and any uncontrolled variation in

the price of fuel affects the profit margin of the utility.

Since the four major electric companies of the state, the Connecticut Light & Power Company, the Hartford Electric Light Company, the United Illuminating Company of New Haven, and the Connecticut Power Company, already have such a fuel adjustment clause in their rate schedules, it is unlikely that the new order of the commission will have any great effect especially on domestic power users.

District of Columbia

Rate Briefs Filed

DEMANDS ranging all the way from retention of the present sliding scale for the annual adjustment of electric power rates to abandonment of the arrangement and reduction of rates this year from \$3,650,000 to \$5,250,000 were contained in briefs filed last month with the District of Columbia Public Utilities Commission by the Potomac Electric Power Company and two Federal agencies.

Defending the sliding scale, which has been in effect since 1925, as a method that has "stood the test of time," the company warned, however, that it "would not be justified in making further concessions for its preservation by acquiescence to charges which would result in a substantial decrease in its net earnings."

The PEPCO brief, filed by William K. Laws and S. R. Bowen, called for continuation of the present undepreciated rate base, arguing that "the great advantage" in its use is that it obviates "determination of the actual physical condition of property" each time the rate of return is set. They also declared that the rate of return should not be less than the existing 6 per cent.

Alan Johnstone, general counsel for the Federal Works Agency, repeated his demand for abandonment of the sliding-scale arrangement, charging that "it is a delusive scheme which has unfairly and unreasonably favored PEPCO at the expense and to the prejudice of the consumers," and that "it is an unsound and improper regulatory device which has been eschewed by other public utility commissions."

In place of the sliding scale and the present \$105,000,000 undepreciated rate base, FWA advocated what it called a "prudent investment plan," calling for:

1. A maximum rate base of \$53,650,000, computed upon actual cost of "electric utility property used and useful" and "depreciated according to the straight-line method of depreciation."

2. Inclusion in the rate base of "a reasonable amount for working capital, adjusted to exclude materials and supplies held for new construction."

3. Exclusion from the rate base of an amount of property equal to PEPCO's earned surplus, which amounts to approximately \$28,000,000.

4. A rate of return of 4½ per cent on the rate base.

Estimating a slightly different figure of prudent investment—\$53,562,830—the procurement division of the Treasury said a reduction of \$5,250,000 would be possible "if the rates are fixed on the prudent investment represented by bonds, preferred stock, and bona fide common stock."

"Even a \$5,250,000 reduction would enable the company to pay interest on its bonds, dividends on its preferred and common stock, and leave a substantial amount for surplus," the procurement statement said.

The procurement division brief, signed by Clifton E. Mack, procurement director, and Thurman Hill, general counsel, also demanded removal of more than \$5,500,000 from the present rate base as excess over the original cost of property.

THE MARCH OF EVENTS

Illinois

Traction Purchase Plan

THE first draft of an ordinance authorizing the city of Chicago to acquire the surface and elevated lines and operate them as a merged unit under municipal ownership was presented to the council committee on local transportation recently.

The ordinance, a lengthy document written by Attorneys William H. Sexton and James J. Danaher, provides that after the purchase of the companies operations will be in charge of a 5-man transit board appointed by the mayor, and general supervisory authority of this board will be vested in a 5-man transit commission.

Salaries (the amounts not determined) will be paid the board, but the commission members will serve without pay. The financial structure of the proposed company is elaborately detailed. It provides that when other prior claims, such as operating expenses and interest on borrowed funds, have been paid,

the city is to receive up to \$2,000,000 for rent of the streets and the wholly owned subways.

No mention of the price to be paid was put in the ordinance. The city, however, has suggested that it will pay \$75,000,000 for the surface lines' assets, including \$27,500,000 of cash in special funds, and \$11,000,000 for the elevated lines. The "L" people have turned down this proposition and the surface lines have not accepted, although it is possible they would take the so-called offer if they were certain the city could overcome the hurdles to municipal ownership.

These hurdles are many. The plan must be approved by referendum, it must be declared legal by the courts, and bankers must lend the \$86,000,000 or more needed to close the deal. It is planned to sell revenue certificates at 3½ per cent interest to make the loan.

Judge Igoo of the Federal District Court was said to have another plan involving the formulating of a unification plan under private ownership.

Louisiana

Gratified by Decision

GOVERNOR James H. Davis last month expressed "gratification" over a report from Washington that the Federal Power Commission had denied an application of the Memphis Natural Gas Company to increase capacity of its pipe lines from the Monroe gas fields.

The governor, who was a member of the state public service commission when the case arose, said he had followed it with much interest, and that the decision "marks the first time the state has been able to have the power commission agree that it has jurisdiction and authority to consider matters of conservation and the social and economic effects of these applications on the origin as well as the destination territories to be served by these pipe lines."

Davis added that it would be the policy of his administration "to continue to oppose these applications as they arise, with the view of

protecting our present gas reserves which are shown to be limited and which are so vitally necessary to the proper industrial development of Louisiana."

The FPC on June 13th dismissed "without prejudice" the company's application to construct three 18-inch pipe lines aggregating approximately 61 miles in Chicot county, Arkansas, and Bolivar, Coahoma, and Tunica counties, Mississippi, to augment deliveries to retail distributors in the Memphis area.

FPC said the application was dismissed because "of the limited gas reserves shown by the record to be available (in Louisiana), their present rate of depletion, and the effect of excessive rates of withdrawal on ultimate recovery of gas therefrom."

The proposed facilities would have stepped up deliveries of gas from Louisiana fields to the distributing systems to a total of 155,000,000 cubic feet daily, an increase of 21,000,000, 19,000,000 going to Memphis.

Nebraska

Power Fight Aired

THE political quarrel at Kearney over the acquisition by the city of the electrical properties of Consumers Public Power District was given a thorough airing before the legislative council's subcommittee on power at Lincoln last month.

At the conclusion of the Kearney matter the committee called Allen Hupp, Omaha, general manager and secretary of the Associated Retailers of Omaha, to give an accounting of his activities in connection with LB 204, bill which was passed by the 1943 state legislature creating the Omaha Peoples Power Commission.

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Hupp testified that he lobbied for the bill and in addition to receiving his regular salary from the Associated Retailers, plus expenses of between \$2,000 and \$2,300, he received \$7,500 from the Nebraska Power Company. He explained that he did not include the latter amount on the report he filed with the secretary of state because he had not received and did not know he would receive it until after his report as a lobbyist had been filed.

Kenneth Dryden, city attorney for Kearney, read a prepared statement in which he outlined the developments of the political campaign in the city over the question of whether or not the city should purchase property owned by Consumers. C. S. Morrow, H. W. Kimball, Ernest Staubitz, H. H. Nims, and H. L. Blackledge,

also gave similar testimony, pointing out they believed Consumers used unfair tactics in trying to defeat the proposal.

Staubitz testified that he believed, as did many other residents of the city, that Kearney is being discriminated against in the matter of rates and that because the district has refused to set a fair price on the property or make an adjustment in rates the condemnation proceedings were instituted.

"To me that is a very selfish attitude," declared Senator John Mekota, committee member. "We find Kearney condemning the property knowing that if it can buy the property at a figure less than was paid by Consumers the people in small towns will have to make up the difference through higher rates."

New Jersey

Rate Cut Ordered

THE state board of public utility commissioners, in a split decision, on June 14th approved a new and lower schedule of electric rates of the Public Service Electric & Gas Company. Two board members described the cut, effective July 1st, as "the largest single reduction ever effected through negotiations between the utilities board and Public Service Electric & Gas Company," but the third member contended it should have been greater.

The reduction, estimated to save customers of the state's largest and most widespread utility \$5,000,000 a year, was approved by Board President Joseph E. Conlon and Commissioner John E. Boswell. Commissioner Crawford Jamieson of Trenton, who dissented, said that the cut was not only less than the company could afford to grant, but also was of no benefit to thousands of small household users of electricity and of little help to most other residential customers.

The reduction will be distributed to the various classes of consumers as follows: residential, \$1,823,500; commercial light and power, \$1,462,500; general service, \$791,100; retail power and general service, \$338,500; refrigeration and general service, \$140,000; commercial light and power and general service, \$375,000.

Mr. Conlon and Mr. Boswell, in a joint statement, said:

"The reduction eliminates the necessity of a rate proceeding at a time when such a proceeding would have been most inopportune. Furthermore, a rate proceeding would postpone

any reduction until the termination of such proceeding, with a consequent loss to the consumers in the interim."

Mr. Jamieson disagreed, saying that the commissioners should "insist upon greater reductions or should immediately institute a rate case. If the rate cut was sufficient to save customers \$9,000,000 a year instead of \$5,000,000, he asserted, Public Service this year still would make a "fair return" of 6.4 per cent.

In commenting on the rate reduction ordered by the commission, Thomas N. McCarter, chairman of the board of the Public Service Corporation of New Jersey, said:

"The company does not approve of this reduction and believes it could only be sustained, if at all, through the adoption by the state board of the new-fangled theories of rate making which never before have been adopted by any New Jersey commission since 1911.

"The company believes the imposition of such doctrines to be unfair to investors, unjust, and inequitable, especially in such an awful time of war and stress. Nevertheless, to avoid the complication of a long rate case before the commission and the courts, the company has agreed to accept this demand of the board.

"We will do our best under the circumstances for our stockholders whose number exceeds 142,000, largely Jerseymen, and we still entertain the hope that the net earnings of the corporation available for dividends in 1944 will be sufficient to justify a continuance of the present rate of dividend upon the common stock of the corporation, but as to this, time will tell.

New York

Appeal Write-off Orders

THE Niagara, Lockport & Ontario Power Company and the Lockport & Newfane

Power & Water Supply Company, subsidiaries of the Niagara Hudson Power Corporation, petitioned the New York State Public Service Commission last month for rehearings of or-

THE MARCH OF EVENTS

ders issued recently by the commission to the companies to make write-offs from their utility plant accounts. The write-offs ordered by the commission, if complied with, would aggregate \$4,704,045. Niagara, Lockport & Ontario asserted that items ordered written off had been duly entered on the company's books pursuant to commission orders.

One of the reasons given by the companies for objecting to the orders is that the commission erred in requiring such write-offs where they relate to property still in service.

Since the rulings were issued, the Niagara, Lockport Company has made substantial retirements from plant accounts, leaving approximately \$1,500,000 in dispute. The amount of the write-off required from Lockport & Newfane Power & Water Supply Company in dispute is about \$100,000.

Electric Rates Cut

REDUCTION of electric rates by the New York State Electric & Gas Corporation, estimated to save customers \$224,200 annually, was announced last month by the state public service commission.

The new rates became effective June 19th. Estimated consumer savings by districts in the corporation's territory are: Oneonta district, \$48,000; Elmira and other Chemung county communities, \$16,500; Corning-Hornell, Perry area, \$41,200; Binghamton district, \$31,100; Geneva district, \$55,300; Ithaca area, \$26,600; Lockport and other Niagara county communities, \$3,100; Mechanicville area and the village of Stillwater, Saratoga county, \$2,000.

Mayors Assail Strikes

CONDEMNATION of "any strikes of public employees against duly constituted municipal governments or authorities" was voted last month by the New York State Conference of Mayors and other public officials attending its thirty-fifth annual meeting at Syracuse.

Another resolution urged each New York municipality "to complete during the year postwar public works programs and take the necessary action to obtain state aid in the preparation of necessary plans and specifications and . . . to create reserve funds for postwar projects, repairs, and tax stabilization."

North Carolina

Franchise Ordinance

THE city commissioners last month adopted on final reading the new ordinance granting a 40-year franchise to the Carolina Power & Light Company upon the approval of the voters of Raleigh, and the Wake board of elections subsequently issued a call for an election to be held on July 25th.

While the approval of the franchise by the voters is expected to be a mere formality, a rejection of the contract at the polls would mean unforeseen difficulties in obtaining electric and transportation service from other sources, it was pointed out. The franchise would eliminate many antiquated rules governing the transportation service which had been in effect since 1886.

Ohio

City Reopens Gas Case

THE city of Cleveland early last month presented the Ohio Public Utilities Commission in Columbus what it hoped was sufficient new evidence to get lower rates from the East Ohio Gas Company. The rate now is 68.8 cents a thousand cubic feet. In 1939 the city passed legislation which would have lowered the rate to 55.2 cents, but the company appealed and the higher rate was allowed by the state supreme court.

The city's plea for reopening of the case, the Associated Press reported, was based on a contention that East Ohio now had a reduced rate from the Hope Natural Gas Company of West Virginia, a Standard Oil (New Jersey) affiliate, and should pass along the reduction to the consumers.

To support its plea the city entered as evi-

dence the United States Supreme Court record and decision which reduced Hope's charges to East Ohio.

Increased operating expenses have taken up that saving, Francis Wright, a company accountant, testified. He said that was caused by addition of \$5,000,000 to \$6,000,000 worth of new property in Cleveland.

East Ohio's net earnings for years ended June 30, 1942, and 1943, were about \$800,000 above the preceding two years, Wright admitted on cross-examination by Spencer W. Reeder, city assistant law director, and Robert S. Keeler of the Office of Price Administration. Wright asserted East Ohio's earnings for the year ending June 30, 1944, would be \$2,500,000, compared with last year's \$2,800,000.

The commission accepted the records over protest by East Ohio and allowed both sides ten days to file suggested findings.



The Latest Utility Rulings

Consideration of Unregulated Business Did Not Invalidate Rate Orders

THE United States Circuit Court of Appeals, Tenth Circuit, affirmed orders of the Federal Power Commission [43 PUR (NS) 205] requiring Canadian River Gas Company, Colorado Interstate Gas Company, and Colorado-Wyoming Gas Company to reduce rates for natural gas transported in interstate commerce and sold for resale for ultimate public consumption. Complaints had been filed by the city and county of Denver and the Wyoming commission.

Ruling against motions by the city and county of Denver to dismiss the petitions for review on the ground that they were filed in the wrong district, the court pointed out that § 19(b) of the Natural Gas Act provides that any party aggrieved by a commission order may obtain a review in the circuit court of appeals of any circuit in which the company to which the order relates is located or has its principal place of business, or in the court of appeals of the District of Columbia. Legal residence and domicile in the state of Delaware was not therefore a bar to the appeal.

Attacks by Canadian upon the order on the ground that the commission erroneously undertook to exercise unauthorized rate regulatory jurisdiction over production and gathering properties, facilities, and business of the company were overruled. The company's production and gathering properties and facilities are parts of its integrated operations, and, although they lie beyond the range of the rate regulatory jurisdiction of the commission, the commission had not prescribed charges for production, did not fix rates for gathering of gas, and did not exercise other rate regulatory jurisdiction over production or

gathering. Its inquiry into production and gathering properties in respect to cost, depreciation, operating expenses, and revenues was merely in their relation to the fixing of rates for gas moved in interstate commerce and sold for resale.

Exertion of the power of Congress in its regulation of interstate commerce, the court held, is not fettered by preëxisting contracts or arrangements. The exercise of power under the Commerce Clause cannot be subordinated to arrangements or stipulations previously effected. The fact that the companies had made large investments on the strength of contracts was held not to be decisive.

A contract between Canadian and Colorado requires Canadian to produce sufficient natural gas to meet the requirements of Colorado; to sell the gas to Colorado at cost; to make no contract for the sale of gas that might impair its capacity; to credit Colorado with all revenues, income, or profits which it may receive from any other source; and to disburse funds from any source only in the discharge of its obligations under the contract with Colorado and any other contracts permitted under its provisions, and in payment of principal and interest on its outstanding indebtedness. It was argued that the contract foreclosed any possibility of profit to Canadian, and, therefore, the order exacted the impossible and was confiscatory. The court, however, said that permissible regulation of rates does not insure that the business shall produce net revenues, and any rate may be decreased which is not the lowest reasonable rate. Furthermore, it was said, the argument failed to give consideration to intercorporate stock transactions and profit arrangements.

THE LATEST UTILITY RULINGS

A finding of unreasonableness, the court held, made after a full hearing, carries with it a presumption of correctness, and the burden rests upon him who attacks it on review for want of substantial evidence to show the absence of such evidence.

On the question of valuation the court followed the rules laid down in *Federal Power Commission v. Natural Gas Pipeline Co.* (1942) 315 US 575, 86 L ed 1037, 42 PUR(NS) 129, 62 S Ct 736, and *Federal Power Commission v. Hope Nat. Gas Co.* (1944) 320 US 591, 88 L ed 276, 51 PUR(NS) 193, 64 S Ct 281,

which relieved the commission from adhering to a fair value rate base. Elimination by the commission of items in excess of actual original cost was also sustained. Interest after the construction period had ended was held to have been properly disallowed. Allocation of cost of service, it was ruled, may be effected by application of any formula which makes the principle a working one suitably adapted to the particular circumstances. Treatment of depletion, depreciation, and amortization was also upheld. *Colorado Interstate Gas Co. et al. v. Federal Power Commission et al.*



Rate Order Upheld Although Reproduction Cost Evidence Excluded and Regulated Revenues Not Segregated

THE order of the Federal Power Commission requiring an interim rate reduction by the Panhandle Eastern Pipe Line Company, in 45 PUR(NS) 203, has been sustained by the circuit court of appeals, eighth circuit, over objections based on the following contentions:

(1) The trial examiner excluded relevant and material evidence of the value of their property; (2) the commission erred in assuming jurisdiction over the petitioners' production and gathering of natural gas; (3) the commission erred in assuming jurisdiction over the petitioners' revenues from direct sales of gas to customers for their own use; (4) the return allowed by the commission is unjust, unreasonable, and confiscatory.

While it may be that the commission should receive all evidence which is relevant and material under any theory of rate making, the court said, rejection of evidence of reproduction cost or of market or replacement value did not amount to a denial of due process requiring a remand of the proceeding to the commission. It was apparent from the opinion of the commission that the remand of the proceeding so that evidence offered and rejected might be received, considered, and then disregarded by the commission would be a useless formality. The commission had stated that it re-

garded such evidence as valueless and considered the legitimate cost or prudent investment formula was alone applicable.

If there was any infirmity in the commission's determination of the amount which should be included in the rate base as the cost or value of production and gathering facilities, the court thought the infirmity arose from the method used in making the valuation and not from any lack of jurisdiction. Since the commission was not obliged to adopt reproduction cost in determining fair value for rate making but could adopt actual cost, it was impossible for the court to say that the commission exceeded its power in not including in the rate base the present market value of leaseholds.

Concededly, the commission had not fixed rates for direct sales of gas to customers for their own use and had only prescribed reduced rates for interstate sales of gas for resale. The company contended, however, that the necessary effect of the order was to reduce rates and revenues on all sales and to deprive the company of substantial profits from direct sales. The court declared:

In determining whether the wholesale rates of a natural gas company subject to the act are unreasonable, the commission is, no doubt, obligated to give appropriate consideration to the fact that the revenues of the company derived from direct sales to cus-

PUBLIC UTILITIES FORTNIGHTLY

tomers are not subject to regulation. A failure of the commission to give appropriate effect to that fact, unless arbitrary or capricious, does not, we think, deprive the commission of its jurisdiction to make a rate order with respect to sales which are subject to regulation. Jurisdiction to decide a doubtful question of fact includes jurisdiction to decide it either correctly or incorrectly. *Pittsburgh Plate Glass Co. v. National Labor Relations Board*, 113 F(2d) 698, 701. The adjustments made necessary by reason of the fact that certain of the sales and revenues of the petitioners are not subject to regulation are, we think, "pragmatic adjustments . . . called for by particular circumstances" (*Federal Power Commission v. Natural Gas Pipeline Co.* (1942) 315 US 575, 586, 86 L ed 1037, 42 PUR(NS) 129, 62 S Ct 736), which the commission has power to make.

In view of recent Supreme Court decisions, the court said, it is evidently no longer necessary for a reviewing court to consider many of the doubtful and debatable questions which ordinarily arise in every rate case. The order must be affirmed unless the company has made a convincing showing that it is unreasonable in its consequences because the return allowed is insufficient to enable it to meet expenses of operation, pay interest on bonds and dividends on stocks, maintain credit, and attract capital, or is clearly out of line with the returns on investments in enterprises involving comparable risks.

The court considered the service cost on bonds and preferred stock and earnings for common stock, as well as claims for sinking-fund requirements and nec-

essary additions to surplus. It refused to substitute its judgment for that of the commission with respect to the debatable question whether the return allowed was sufficient to attract investors and refused to invalidate the order upon the theory that the return allowed was obviously so unfair and inadequate as to be confiscatory.

Attention was also directed to the fact that the order was not final and irrevocable and that if actual experience demonstrated that the reduced rates were unreasonably low, the commission could allow an increase. The court would not presume that if rates were unreasonable the commission would allow them to be perpetuated.

Circuit Judge Riddick dissented on the question of allocation of revenues between regulated and unregulated business. He said:

Here the commission has admittedly refused to observe the limit upon its jurisdiction, fixed by Congress. In this situation it seems to me idle to inquire whether the commission's order, call it a "pragmatic adjustment" or whatnot, does or does not result in confiscation of petitioners' property, or whether it is less or more favorable to petitioners than would have been the case had the commission confined itself to its permitted field. It is enough to require a remand of this proceeding that the commission has exceeded the statutory limitation on its powers.

Panhandle Eastern Pipe Line Co. et al. v. Federal Power Commission et al.



Sight-seeing Transportation by Horse-drawn Vehicles Regulated As Common Carriage

A CERTIFICATE of convenience and necessity was granted by the Colorado commission to the operators of a sight-seeing service for visitors to the Pikes Peak region. They had previously conducted sight-seeing and auto livery operations by motor vehicle, but these operations had been discontinued under direction of the Office of Defense Transportation and transportation by horse-drawn vehicles was substituted.

The Colorado statutes define a public utility as including every common carrier, and the term common carrier includes railroads and other corporations or persons affording a means of transportation by automobile or other vehicle who indiscriminately accept, discharge, and lay down passengers, freight, or express and operate for compensation. Any person engaged in transportation of passengers in any automobile or other

THE LATEST UTILITY RULINGS

vehicle is declared to be a public utility. The commission, after citing various rulings on public utility status, made the following statement:

In this case, Pikes Peak Stage Coach Company holds its service out to the general public by solicitation and advertising, and accepts for transportation, and transports, all persons who present themselves for transportation who are willing to pay the established fare. Under authorities cited, they are common carriers of passengers for hire by horse-drawn coaches, and are public utilities, and, as such, are subject to our jurisdiction. They are ready, able, willing, and quali-

fied to carry on and to provide safe, satisfactory, and efficient service. Public convenience and necessity, at this time, require such service. The public is entitled to have that service and similar services, if more are authorized, regulated for their protection, and the operator, similarly, if he is willing to make the large investment required and to take the loss that undoubtedly will follow when he seeks to dispose of this equipment with the renewal of sight-seeing service by automobile, is entitled to some protection from ruinous competition.

Re Shabouh et al. (Application No. 6602, Decision No. 22278).



Optional Rates Not Required for Structures Contemplated by Municipality

APETITION by the city of Pittsburgh to require an electric company to file optional rates for electric service to bridges and highway projects was dismissed by the Pennsylvania commission on the ground that this would mean the filing of a rate covering conjectural service conditions.

The commission, however, declined to approve a contention that it could not compel the filing of any optional rate. It was said under its comprehensive grants of authority it was empowered to prescribe optional rates in any proper proceeding if such prescription appeared essential to proper protection of the consuming public or any member thereof.

The purpose of the city was to gain the optional right to install, own, or maintain electrical facilities (cables, transformers, fixtures, and lamps) on bridges and special highway projects on which it owned, or might in the future own, the structural facilities (ducts, junction boxes, poles, and brackets), with resultant savings in street-lighting costs. The city owns the structural lighting facilities on numerous bridges and highway projects, usually constructed as integral parts of the bridge or highway project. The city does not, however, own any street-lighting electrical facilities.

The city had requested bids for three separate sets of specifications: (A) providing for a complete street-lighting serv-

ice as in the past, whereunder the company owns all electrical facilities; (B) providing for street-lighting service whereunder the city reserves the right to install and own electrical facilities on bridges and special highway projects, such electrical facilities to be maintained by the company; (C) providing for street-lighting service whereunder the city reserves the right to install, own, and maintain electrical facilities on such projects. The electric company involved was the only bidder and it submitted a bid only under specifications (A).

The commission pointed out that the company was rendering service to certain bridge electrical facilities wholly owned and maintained by the county but this service was simply the sale of energy without any responsibility for maintenance of the facilities on the bridge. Under these circumstances if the city owned similar facilities and the company refused to render similar service at corresponding rates, a case of discrimination would be presented. This, however, was not the case. The city admittedly did not presently own any highway or bridge electrical facilities and therefore could not take service under the optional rates even if filed.

It was said to be evident that the submission of bids under such optional rates would be an idle gesture on the part of the company, since the conditions of serv-

PUBLIC UTILITIES FORTNIGHTLY

ice contemplated by the bids would not exist.

The city attempted to avoid the implications of the facts by saying that it wished to have available optional tariffs and bids submitted so that it might determine and choose whether or not it would acquire facilities and thus put itself in a position to take service under one of the optional rates. If this suggestion was reasonable, said the commission,

not only the city but any other consumer of the company should have the right to evolve an indefinite number of theoretical situations and the power to force the development and filing of rates covering all of the various hypothetical alternatives. The commission could not agree with this proposition. Commissioner Buchanan dissented. *City of Pittsburgh v. Duquesne Light Co.* (Complaint Docket No. 13683).



Other Important Rulings

APUBLISHED railroad demurrage tariff, according to a California court ruling, does not in and of itself impose liability on a purchaser from a railroad while the subject of the sale remains the property of the railroad and has not been delivered actually and constructively to the purchaser. *Southern Pacific Co. v. Hyman-Michaels Co.* 147 P (2d) 692.

The Kansas City Court of Appeals held that the commission, in passing upon an application for authority to furnish competing motor carrier service, is not required first to give existing carriers an opportunity to provide the needed service in all cases, but may consider which utility under the peculiar facts and circumstances will best serve the public. *State ex rel. Missouri, Kansas & Oklahoma Coach Lines, Inc. et al. v. Public Service Commission*, 179 SW (2d) 132.

Interstate Commerce Commission approval of the acquisition of the property and operating rights of one carrier by another which is controlled by a non-carrier is necessary, since the transaction involves the acquisition of control of the vendor-carrier by the noncarrier, according to a ruling of the Supreme Court of the United States. *United States et al. v. Marshall Transport Co. et al.* (No. 589).

The Securities and Exchange Commission denied an application by a non-

utility subsidiary of a holding company for exemption from the competitive bidding requirements of Rule U-50 with respect to the issuance and sale of first mortgage bonds, although the applicant asserted that in view of the complex nature of the problems involved in refunding outstanding securities, its interest would best be served by negotiating the nature and terms of the refinancing concurrently with negotiations as to price. *Re Capital Transit Co.* (File No. 70-870, Release No. 5068).

The New York Court of Appeals held that a public hearing is not a necessary condition precedent to the enactment of an ordinance containing a proposal for submission to electors of a proposition relating to electric plant construction; that it is unnecessary to publish the interest rate in a proposition submitted to voters providing for the issuance of bonds to finance construction; that an ordinance providing for such construction is not unconstitutional on the ground of discrimination because the plant would not be of capacity large enough to supply the demands of the village and its inhabitants, including industrial use of its largest single taxpayer; and that an objecting taxpayer would not be deprived of property without due process of law. *O'Flynn (Rochester Gas & Electric Corporation, Interveners) v. East Rochester*, 54 NE (2d) 343.

NOTE.—The cases above referred to, where decided by courts or regulatory commissions, will be published in full or abstracted in *Public Utilities Reports*.

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RE NORTHERN INDIANA PUBLIC SERVICE CO.

SECURITIES AND EXCHANGE COMMISSION

Re Northern Indiana Public
Service Company

File No. 70-882, Release No. 5031

May 5, 1944

APPPLICATION under § 6(b) of the Holding Company Act for
exemption of preferred stock issue from competitive bid-
ding requirements of Rule U-50; denied.

Security issues, § 112 — Competitive bidding — Preferred stock — Exchange plan.

Exemption from the competitive bidding requirements of Rule U-50 should be denied with respect to an issue of preferred stock by a subsidiary of a holding company, where the new stock is to be offered first to existing stockholders in exchange for outstanding preferred and investment bankers are to be compensated for effecting exchanges, standing by, and underwriting the unexchanged portion of the new issue.

(O'BRIEN, Commissioner, dissents.)

APPEARANCES: Lawyer & Anderson, by John C. Lawyer, for the applicant; Solomon Freedman, of the Public Utilities Division of the Commission.

By the COMMISSION: Northern Indiana Public Service Company ("Northern Indiana") has filed applications and declarations with respect to proposed transactions including, among other things, the issuance and sale of 220,078 shares of new cumulative 5 per cent dividend preferred stock, \$100 par value, under

the Public Utility Holding Company Act of 1935.¹ Its application in this connection is filed under § 6(b) of the act. Northern Indiana requests that the issue and sale be excepted from the competitive bidding requirements of Rule U-50.²

The sole problem with which we are concerned here is the requested exception of the proposed issue and sale from competitive bidding. A hearing was held after appropriate notice, a brief was filed by Northern Indiana on this question, and we heard oral argument thereon. Other ques-

¹ Northern Indiana is a subsidiary of Clarence A. Southerland and Jay Samuel Hartt, trustees of Midland Utilities Company, a registered holding company.

² The rule provides certain limited exceptions to the normal standard of competitive bidding, which, as to § 6(b) applications, require an express finding by the Commission that compliance with the competitive bidding rule is not "appropriate in the public interest or for

the protection of investors or consumers as a condition to the exemption of such issuance or sale from the provisions of § 6(a) of the act, or to aid the Commission (in carrying out the provisions of § 6(b) of the act) to determine such terms and conditions as it may be appropriate to impose in the public interest or for the protection of investors or consumers in exempting such issuance or sale from the provisions of § 6(a) of the act. . . ."

SECURITIES AND EXCHANGE COMMISSION

tions concerning the proposed issue and sale, accounting adjustments, and other transactions are to be disposed of separately.

Northern Indiana now has three series of preferred stock outstanding, each of \$100 par value, with dividend preferences of 7 per cent, 6 per cent, and 5½ per cent, respectively. Aggregate dividend requirements are now \$1,377,469 annually on these shares. Some years ago under the former Insull management the company fell into arrears on its preferred stock, but improved earning power and debt re-financing enabled it to pay off the arrears by the end of 1942, and current dividend requirements are now being earned. The company proposes to call its existing preferred shares at their respective call prices³ and to issue an identical number of new preferred shares, \$100 par value, with a 5 per cent cumulative dividend, offering them first in exchange for the old shares, and selling the balance to underwriters for public distribution. The dividend requirements on the new shares would be \$1,100,390 annually, and this amount together with fixed charges, after giving effect to the entire program proposed, would be covered by pro forma earnings about 1.76 times.

Northern Indiana believes it would be to the best interests of itself and

³ The funds required for redemption, exclusive of adjustments for accrued dividends, would be:

7% Series, 69,858 sh. at \$115 per sh.	\$8,033,670
6% Series, 124,505 sh. at \$107.50 per sh.	13,384,288
5½% Series, 25,715 sh. at \$105 per sh.	2,700,075
Total	\$24,118,033

53 PUR(NS)

its security holders to exchange as many of the new shares as possible for old shares in the hands of existing holders, paying in cash the differential between the offering price of the new shares and the call price of the old. It believes that existing stockholders would be benefited tax-wise by such exchanges, and estimates that the compensation it must pay to investment bankers for soliciting such exchanges would be less than the cost of selling the entire issue to the general public. These are among the reasons for its plan to make the offering initially to its existing preferred stockholders, employing investment bankers to solicit exchanges and to underwrite the unexchanged portion of the new issue.

The company proposes to compensate the bankers on a sliding scale for exchange solicitation, contending that by this method savings resulting from exchanges (as distinguished from cash sales) will be likely to accrue to it rather than to the underwriters. It has entered into a tentative arrangement whereby Stone & Webster and Blodget, Inc., and Harri-man, Ripley & Co., Inc., would lead a large group of bankers which would be paid for soliciting exchanges standing by during the exchange period, and purchasing for public distribution all shares not taken by existing stockholders in exchange for old shares.

As of March 6, 1944, there were 15,168 holders of Northern Indiana's preferred stock. Of these, 957 holders owning 50 or more shares each held 103,987 of the total 220,078 preferred shares outstanding. The remaining shares were held in rela-

RE NORTHERN INDIANA PUBLIC SERVICE CO.

tively small amounts. Geographical distribution was as follows:

Holders	No. of Shares	Residence
5,625	69,883	Indiana
4,584	38,320	Illinois
2,057	25,657	Wisconsin
609	40,104	New York
2,293	46,114	(Scattered) ⁴
15,168	220,078	

Under the proposed arrangement the bankers would receive compensation equal to (a) \$1 as a standby charge for each of the 220,078 new shares, plus (b) an amount varying from 50 cents for each share exchanged (if not more than 110,000 shares) to 75 cents for each share exchanged (if more than 198,000 shares); plus (c) an amount varying from \$1.50 per share purchased by the underwriting group (if the aggregate number purchased is less than 22,000 shares) to \$2.50 per share purchased (if such aggregate is 110,000 shares or more).

Thus the minimum compensation, if all shares were exchanged, would be \$1.75 per share or a total of \$385,136; and the maximum, if no shares were exchanged, would be \$3.50 per share or a total of \$770,273. Northern Indiana estimates that about 80 per cent of the new shares will be issued in exchange for the old. On this basis payments to the bankers would be slightly over \$420,000, or \$1.90 per share.

As heretofore stated, the company requests an exception from the provisions of Rule U-50 requiring competitive bidding as a condition to the proposed security issue. We believe the request must be denied.

We should make it clear first that we do not take issue with the company's view as to the desirability of the refinancing or with the method of exchange as the means of achieving it. Nor do we necessarily disapprove the principle of compensating underwriters on a sliding scale.⁵

However, the grounds for the company's preference for private negotiation do not appear to us to be sufficiently persuasive to justify the granting of an exception, and the method through which the underwriters were selected and their compensation arrived at, and by which the public offering price is to be set, is subject to objections of a kind that formed a substantial part of the basis for our adoption of the competitive bidding rule.

As we have noted, Northern Indiana regards a large volume of exchanges as desirable because the financing is expected to be cheaper by that method. It also desires to retain as many of the present preferred stockholders as possible. It regards the sliding scale of compensation as an incentive to the underwriters to procure as many exchanges as possible in preference to direct sales, and as a method of retaining for itself a portion of the savings in financing costs which would result from a large volume of exchanges.

Assuming a sliding scale of compensation, varying with the number of exchanges accomplished, the company contends that competitive bidding is not feasible since bids might vary at the several levels in the scale,

⁴ Residing in all other states except one, and in the District of Columbia and foreign countries.

⁵ Of course we do not now pass upon the particular scale discussed above.

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one bid being more favorable for a certain number of exchanges, a second bid for a different number of exchanges, a third for still another number of exchanges, and so on. This, the company asserts, would render it impossible to pick the best bid.

As an alternative, our staff advanced the tentative suggestion that bids be solicited specifying (a) the public offering price for the new 5 per cent preferred and (b) a lump sum to compensate the underwriters for the over-all job of soliciting exchanges, standing by, and underwriting shares not exchanged. This suggestion contemplated that the underwriters would be permitted to begin selling the stock during the exchange period subject to the stockholders' prior right of exchange. The company objected that the bids on (b) would probably be based on ultra-conservative estimates of the number of shares likely to be exchanged, and if actual exchanges exceeded the estimates the underwriters rather than the company would benefit from the resulting low flotation costs; but this objection overlooks the fact that investment bankers when competing for business are not more likely to be influenced by ultra-conservative estimates than when fixing their terms in noncompetitive transactions. The successful bidder in a competitive transaction is ordinarily not a banker who is excessively pessimistic either as to the merits of the security or as to the difficulties of marketing it.

In addition, the company contends that the proposed compensation is "fair and reasonable," that the price to be paid to the company for unexchanged shares is "expected" to be

"adequate," and that the company's officers "in the exercise of their best business judgment and after consultation with experts in the field of corporate financing" have concluded that the present proposal is the best.

While some of the grounds offered by the company may possess a certain validity, they are not, in our opinion, sufficiently cogent to justify concluding the matter in favor of an exception from the rule. In the first place it is by no means certain that compensation on a sliding scale offers the expected inducement to underwriters to effect exchanges in preference to sales; nor is it necessarily true that, if bids were made competitively on a sliding scale, differences in the bids at varying levels of the volume of stock exchanged would be such as to preclude the selection of the best bid from among them. It is entirely possible that one bid may be superior to the rest in all levels, or at least for the volume of exchanges that the company considers within the range of probability. The selection of the best bid by the company need not be a purely mechanical matter. The company has its own estimate of the probable volume of exchanges. Dean H. Mitchell, the company's president, testified that he thought at least 80 per cent of the outstanding shares would be exchanged for the new stock. Even with bids on a sliding scale the company would be well within its rights in attaching weight to the bid that seemed most favorable to it at the level of exchanges which it anticipates, and discarding other bids even though they appeared more favorable at other levels.

The remainder of the company's

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arguments—that the compensation is fair and reasonable, that the price for the unexchanged shares is expected to be adequate, that the officers have exercised their best business judgment, and that experts have been consulted—are not peculiar to the situation presented by this exchange program. They are the familiar arguments advanced in opposition to the general principle of competitive bidding embodied in Rule U-50. In adopting the rule we pointed out that bids on a competitive basis are in general likely to be of substantial aid in determining whether or not the price and other terms of the issue are fair and reasonable, and our adoption of the rule was in part for the very purpose of affording assistance in the determination of such questions. The company's contentions in this respect cannot, therefore, serve as a basis for an exception from the rule in the absence of extraordinary circumstances.

An additional point raised by the company requires mention, although it was not specifically directed to the appropriateness of competitive bidding. Counsel for Northern Indiana referred in his argument to a recent slump in the market, which he attributed to "invasion jitters," as a reason why the company preferred the arrangements it had made. The implication seems to be that if we require competitive bidding in this case and the company misses its market owing to unsettled conditions arising out of the war, responsibility for the misfortune would be on our shoulders. We must reject any such implication.

We recognize, of course, that news adversely affecting market action may

result in unsatisfactory bids—or no bids—in the case of any financing at any time. But this factor is by no means peculiar to issues offered at competitive bidding. It is common practice for bankers in negotiated deals to protect themselves by escape clauses. Indeed, in the very contract proposed here, between Northern Indiana and the bankers selected by it, there is the following provision:

"14. *Termination by Representatives.* This agreement may be terminated at any time prior to the closing date, by the [Bankers'] Representatives . . . if there shall have occurred any international developments resulting in, or if the market value of securities in general or political, financial or economic conditions shall result in, a state of demoralization of the financial markets in the United States of America, which, *in the judgment of the Representatives* renders it either inadvisable to proceed with the Exchange Offer or inadvisable to proceed with the offering of the Unexchanged Stock agreed to be purchased hereunder. . . ." (Italics added.)

We turn now to an examination of the negotiations conducted in this case.

The exchange program coupled with a standby underwriting agreement has, according to Mitchell's testimony, been contemplated for several years, during which discussions were held at intervals with Harriman, Ripley & Co., Inc., and with Stone & Webster and Blodget, Inc. During the summer of 1943 discussions with Harriman, Ripley & Co. were resumed and the transaction was given considerable study, but certain provisions

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of the tax law, since amended, made it inadvisable to refinance at the time. In October, 1943, Stone & Webster and Blodget expressed an interest in formulating a refinancing plan, but still no definite proposal was evolved.

Early in 1944 the company became convinced that from a market viewpoint it was feasible to proceed with the transaction, and active discussions were again held with both financial houses. On February 2, 1944, Harriman, Ripley & Co. furnished the company with a tentative schedule of fees for the refinancing program. Despite the fact that this schedule was only tentative and that no schedule at all had been submitted by Stone & Webster and Blodget, the company early in March, 1944, orally advised the two houses that they would be jointly engaged as exchange solicitors and underwriters, with 75 per cent of the issue going to Stone & Webster and Blodget and 25 per cent to Harriman, Ripley & Co.

On April 5, 1944, the present application-declaration was filed. On April 13, 1944, a conference was held between the company and Harriman, Ripley & Co., Inc., and Stone & Webster and Blodget, Inc. This was the first meeting of the company with the two houses since it informed them that they were jointly awarded the refinancing. At this conference, Harriman, Ripley & Co. withdrew the tentative schedule of fees it had submitted on February 2, 1944, asserting that market conditions for preferred stocks had changed, and the two underwriting firms then submitted a new schedule of fees covering their compensation. The schedule had been arrived at without the participation of

the company, and was somewhat higher than the prior tentative offer submitted by Harriman, Ripley & Co. It was approved by the company and is embodied in the filing before us. Up to April 28, 1944, when oral argument was held before us, the price the underwriters would offer for the unexchanged shares, and the length of time for the exchange offer, were undetermined.

An oral understanding exists between the company and Harriman, Ripley & Co. and Stone & Webster and Blodget that if the present application for an exception from Rule U-50 is denied and the issue is held subject to competitive bidding, the two firms will be paid for services already rendered and expenses incurred in an amount not to exceed \$20,000.⁶

An exhibit introduced in the record contains a tentative list of 70 underwriters assembled by Stone & Webster and Blodget and Harriman, Ripley & Co. With few exceptions, practically every underwriting house of importance is included in the list.

It thus appears that the company made its selection of underwriters without definite knowledge of the terms they would offer. It appears further that the possibility of submitting the refinancing to competitive bidding was summarily dismissed by the company. Mitchell testified that he did not know how competitive bidding could be effected with an exchange offer, and that both of the designated underwriting houses told him, in response to his question on the subject, that competitive bidding was not feasible. Our staff is

⁶ The question of approving or disapproving this payment is not now before us.

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available for consultation on financing proposals and for the expression of its opinion on the appropriateness of applying for an exemption from competitive bidding in a security flotation. Its views were not sought. The decision to request the exemption was that of the company alone, and the only outside advice it had was not disinterested.

We may note that in 1942 we rejected a similar request by the Public Service Company of Indiana, which, like the applicant, is a company in the Midland United System, with respect to a proposed issue of bonds under circumstances of which the present application is reminiscent. In *Re Public Service Co. of Indiana*⁷ we said: "Our competitive bidding rule applies, and was intended to apply to all such securities and to preferred and common stocks as well. Indeed, there is usually more reason for resorting to competitive bidding in the case of securities below the high grade bond level because it is normally more difficult to ascertain a fair and adequate price for them. The range of fluctuation is greater for such securities. Competitive bidding—with all prospective purchasers given an opportunity to buy the proposed securities—insures that the most equitable price will be obtained.

"We must also reject the suggestion that an exception from our competitive bidding requirements should be granted because there is a possibility that bidding may result in a lower price than can be obtained under the present commitment. True, such a possibility exists but there is,

at the least, an equal possibility that the bonds may be sold at higher prices through competitive bidding. If such an argument were permitted to be persuasive, the competitive bidding rule could be completely nullified in every case where, notwithstanding our Rule, a company enters into a private contract for the sale of securities and, thereafter, petitions for an exception to the Rule. Furthermore, this argument ignores the fact that our competitive bidding rule is also designed to assure the maintenance of competitive conditions and to eliminate any possibility that affiliated underwriters or other purchasers will monopolize the distribution or purchase of securities or will obtain them on more favorable terms than others. . . .

"In promulgating the Rule, we obviously did not intend that exceptions from it would be lightly granted; an issuer, therefore, cannot act on the assumption that no attempt need be made to comply with its general requirements. . . . It appears to us that the company unwarrantably assumed that it could disregard the competitive bidding rule and make such full arrangements for the private sale of its securities that the Commission would be compelled to grant its application for an exception or else face the onus of delaying the issue. We cannot permit ourselves to be keylocked into such a position. . . ."

An appropriate order will issue denying the request for exception from Rule U-50.

O'BRIEN, Commissioner, dissenting: The company has only recently been able to pay off its preferred dividend arrears. It appears that the

⁷ (1942) Holding Company Act Release No. 3521.

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present stockholders are widely scattered and their holdings are in general relatively small. In fact, in round figures the 220,000 outstanding preferred shares are held by 15,000 stockholders, making the average holding about 15 shares. The task of soliciting exchanges will not be like the usual distribution job, and we all agree that exchanges of stock will be in the best interests of the company and its security holders. The circumstances in the aggregate raise substantial doubts in my mind as to the feasibility of competitive bidding in this case, and I would grant the requested exception. I do not concern myself here with the particular terms and conditions of the proposed underwriting and exchange agreement. These would be subject, were exemption granted, to the otherwise applicable standards of the Holding Company Act.

ORDER

Applications and declarations having been filed by Northern Indiana Public Service Company under the Public Utility Holding Company Act of 1935 with respect to various transactions including the proposed issue and sale by said company of 220,078 shares of new cumulative 5 per cent dividend preferred stock, \$100 par value;

Said company having requested that such issue and sale be excepted from the provisions of Rule U-50 of the General Rules and Regulations promulgated under said act; the Commission having duly considered the matter and having this day issued its opinion herein;

In accordance with said opinion, and pursuant to the applicable provisions of said act and Rule U-50, it is

Ordered that said request for exception be and hereby is denied.

WISCONSIN PUBLIC SERVICE COMMISSION

Re State Long Distance Telephone Company

2-U-1948
April 1, 1944

I *INVESTIGATION of alleged illegal extension of telephone service; extension held to be illegal and removal ordered. Rehearing denied and petition by subscriber for leave to intervene denied May 9, 1944*

Monopoly and competition, § 84 — Telephone extension — Notice to existing company.

1. An extension of service by a telephone company having lines along one side of a highway is in violation of § 196.50(2), Statutes, when made with-

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out notice to a company having lines along the other side of the highway, where the extension crosses the highway to serve a residence on a farm to which the other company has extended a line for service to another residence, regardless of whether this is an extension of a main line or the construction of a service drop, p. 202.

Monopoly and competition, § 84 — Telephone extension — Occupied territory — Consent of Commission or other company.

2. The matter of extending telephone service into occupied territory without the notice required by § 196.50(2), Statutes, is not res adjudicata because of a Commission order or consent of the occupying company to extension of a line at an earlier date, since neither the Commission nor the other company has the power to alter the requirements of the statute, p. 203.

By the COMMISSION: H. G. Nellis, general manager of North-West Telephone Company, Tomah, on December 8, 1943, informed the Commission that the State Long Distance Telephone Company, Elkhorn, Walworth county, had extended its lines to the Luckow farm in the town of La Grange, Walworth county, without notifying the North-West Telephone Company, which renders service in such town, of intention to make the extension of service. Charles H. Wiswell, president and general manager of State Long Distance Telephone Company, in a letter filed with the Commission on December 22nd admitted that service had been extended to the Luckow farm. Because it appeared that such extension was illegal in that the provisions of § 196.50(2), Statutes, had not been complied with, the Commission on December 24th issued an order to the State Long Distance Telephone Company to show cause why it should not be required to remove such extension of facilities and to discontinue service to the Luckow premises.

APPEARANCES: H. G. Nellis, General Manager, Tomah, for North-

West Telephone Company; Charles H. Wiswell, President and General Manager, Wyman W. Wiswell, Vice President and Assistant General Manager, Howard Vincent, Plant Superintendent, and Alfred L. Godfrey, Attorney Elkhorn, State Long Distance Telephone Company; Kenneth Jackson, Rates and Research Department, of the Commission staff.

A decision in this matter was deferred until a field investigation could be made by our engineering staff and a map prepared to assist us in a review of the testimony.

The Luckow farm is located in section 26, town of La Grange, Walworth county. It lies between U. S. highway 12 and Lauderdale lake and is west of the highway, on which it abuts. Both companies have lines along highway 12 past the farm. The line of the North-West Company is west and the line of the State Long Distance Company is east of the highway. On the farm are a farmhouse, occupied by George Stallman, farm manager, and a cottage of Russell Luckow. The residence occupied by Stallman is 916 feet from the State Long Distance Company line on highway 12 and is 365 feet southeast of

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the Luckow cottage which has telephone service from the North-West Company. The contested extension was made to the Stallman residence and involved the setting of three new poles and contact of one electric company pole.

The North-West Telephone Company objects to the extension on the grounds that it was made in violation of § 196.50(2), Statutes, and that the North-West Telephone Company could serve the premises by an extension from either the highway or the Russell Luckow cottage that would be shorter than the extension by State Long Distance Telephone Company.

[1] The position of the State Long Distance Telephone Company is that (1) it has made no extension of its lines but has merely installed a customer drop; (2) that the matter is res adjudicata because a January 14, 1914, order of the Railroad Commission in Docket U-529, 13 Wis RCR 597, authorized the company to extend its line $1\frac{1}{2}$ miles north of the then existing terminus at the Sterlingworth hotel for such subscribers as wanted service, and the Luckow premises are within $1\frac{1}{2}$ miles on highway 12 of the former terminus at the Sterlingworth hotel; (3) that the company had a right and also a statutory duty to serve the Luckow premises because its line was in place in front of the Luckow farm on highway 12; and (4) that the service drop to the Luckow farm was made from a main line which was in place not only because of the 1914 order but by consent of the North-West Telephone Company in docket 2-T-94, which concerned extension of

the line northward beyond the Luckow farm to another subscriber.

Section 196.50(2) provides:

"No public utility furnishing telephone service shall install or extend any telephone exchange for furnishing local service in any town where there is a public utility engaged in similar service, without first having served notice in writing upon the Commission and such other public utility of the installation or extension of such exchange which it proposes to make, or make such installation or extensions if the Commission, within twenty days after the service of such notice, shall, upon investigation, find and declare that public convenience and necessity do not require the installation or extensions of such exchange. Any public utility already engaged in furnishing local service to subscribers within any city or village may extend its exchange within such city or village without the authority of the Commission. Any public utility operating any telephone exchange in any city or village shall, on demand, extend its lines to the limits of such city or village for the purposes mentioned and subject to the conditions and requirements prescribed in §§ 196.04 and 196.19 subsections (4) and (5)."

It will be noted that such section refers to the extension of "any telephone exchange for furnishing local service in any town where there is a public utility engaged in similar service." Regardless of whether the extension of service to the Stallman residence on the Luckow farm is an extension of a main line or the construction of a service drop, such construction nevertheless is an extension of the

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Elkhorn exchange of the State Long Distance Telephone Company in the town of La Grange for furnishing local service in such town. The North-West Telephone Company is another public telephone utility engaged in rendering local telephone service in the town of La Grange. In fact, the manager of such company stated that eighty-seven of eighty-eight subscribers served by the company from its La Grange exchange reside in the town of La Grange. Therefore, under the statute, the State Long Distance Telephone Company should have notified the Commission and the North-West Telephone Company before extending service to Stallman. Since the company did not do so, the extension is illegal.

[2] The further contention of the State Long Distance Telephone Company that the matter is *res adjudicata* because of a 1914 order of the Railroad Commission and because of consent of the North-West Telephone Company to extension of a line north beyond the Luckow farm is without merit. The president of the State Long Distance Telephone Company testified that his company served the Luckow farm under authority of the 1914 order from 1921 through 1924, when service was discontinued. The

consent of the North-West Telephone Company referred to concerned only extension of service to one subscriber residing north of the Luckow farm. The North-West Company has served the Russell Luckow cottage on the Luckow farm for some time. Neither the Railroad Commission, this Commission, nor the North-West Telephone Company has the power to alter the requirements of § 196.50(2), Statutes, which was enacted in 1913. There must be compliance with the provisions of such section before an exchange is extended by a telephone utility to furnish local service in a town where another telephone utility renders local service. There was no compliance with the law in this case.

Finding

The Commission finds:

That the extension by State Long Distance Telephone Company of its Elkhorn exchange in section 26, town of La Grange, Walworth county, to the George Stallman residence on the Luckow farm is illegal.

ORDER

It is therefore *ordered*:

That such extension be removed by the said State Long Distance Telephone Company forthwith.

MISSOURI PUBLIC SERVICE COMMISSION

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Brotherhood of Railroad Trainmen
v.
Missouri Pacific Railroad Company,
Guy A. Thompson, Trustee

Case No. 10,377

April 15, 1944

COMPLAINT against placing baggage car on rear of passenger train; enforcement of statute relating to position of cars on passenger trains ordered.

Railroads, § 32 — Arrangement of cars — Governing statutes.

1. The statute making the operation of carrying a baggage car on the rear of a passenger train unlawful has not been superseded and rendered invalid by the enactment of the Public Service Commission Law or the Federal Safety Appliance Act, p. 206.

Interstate commerce, § 4 — State powers — Effect of absence of Federal action.

2. In the absence of Federal action, state regulatory laws will be upheld on a particular subject regardless of their effect upon interstate commerce, and although the operation of such state laws may burden or impede interstate commerce, p. 209.

Interstate commerce, § 57 — Regulation of railroads — Arrangement of cars.

3. That the running time of an interstate train will be increased some twelve to fifteen minutes between two cities in different states, if a baggage car is required by state law to be carried forward in the train rather than on the rear, does not so burden or impede interstate commerce as to nullify the provisions of the statute, in the absence of Federal laws or regulations governing the subject, p. 209.

Railroads, § 32 — Arrangement of cars — Passenger trains.

4. The question of whether or not the carrying of a baggage car on the rear of a passenger train is safe or unsafe is not material in determining whether a statute requiring such arrangement should be enforced, p. 211.

By the COMMISSION:

I

Complaint

The Brotherhood of Railroad Trainmen filed an application in the nature of a complaint (and herein-

after called Complaint), charging the operation of a "dead-end" or "blind" baggage car on the rear of Missouri Pacific Train No. 11 between St. Louis and Kansas City, Missouri, and that it is in "conflict" with § 5212, Rev Stats of Missouri, 1939, and

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"creates an unsafe and hazardous condition to all passengers and employees working on or traveling on Train No. 11." The complaint prayed for an order of the Commission requiring the discontinuance of the practice.

II

Answer

In due time Guy A. Thompson, trustee, Missouri Pacific Railroad Company, debtor, filed his answer to the complaint, admitting that a baggage car is carried on the rear of Train No. 11, but alleged that the car in question is not of the type commonly called "dead-end" or "blind," but that in each end of said baggage car there is a door permitting passage of employees to and from the same. The answer further alleged that the purpose of carrying this baggage car on the rear of the train is to save twelve to fifteen minutes of time at Kansas City as it is loaded with mail and baggage terminating at Kansas City, since the baggage car can be cut off from the train at Kansas City while passengers are being loaded and unloaded, and the engine is being serviced. The answer further alleged that the train carries a capacity number of passengers, including those in the armed service, important mail, etc., and that the railroad in these times must endeavor to find ways to eliminate unnecessary delays. After alleging that the baggage car is equipped with a back-up hose on the rear of the train and with an emergency stop valve on the inside of the door of the car which provides for an emergency stop, if required, and that there is ample vision and sufficient opportunity to control the train from this

car, the answer prays that the complaint be dismissed.

III

The Hearing and Appearances Thereat

After due notice of hearing to all interested parties, the case was heard before two members of the Commission at its hearing room in Jefferson City, Missouri, on January 17, 1944. The complainant and defendant appeared by counsel. Mr. L. D. Powell, representative of the Brotherhood of Railroad Trainmen of the Eastern Division of the Missouri Pacific Railroad Company, testified for the complainant; and Messrs. B. W. Smith and R. F. McCaslin, superintendent of safety and inspector of passenger train transportation, respectively, testified for the defendant. Time was extended to thereafter file briefs.

IV

The Facts

This Train No. 11 is known as the Colorado Eagle. It is a streamlined Diesel powered passenger train operated by the Missouri Pacific Railroad between St. Louis, Missouri, and Denver, Colorado. The locomotive and all the cars, except this baggage car, traverse the entire route daily. This train through Missouri generally consists, in the order named, of a baggage-express car, three coaches, a dining lounge, two sleeping cars, and, at the rear, this storage, mail and express car No. 702, of which the complaint is made. This baggage car No. 702, while attached to the rear of this passenger train, travels only between St. Louis, Missouri, and Kansas City,

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Missouri, and at no time enters into any other state. It has doors in each end but has no vestibule or platform at either end. It is a conventional type baggage car equipped with sill steps and grab irons in conformity with the Safety Appliance Act.

The sleeping car immediately in front of this baggage car No. 702 has a vestibule at one end only, and which is carried forward in the train. On alternate days an additional sleeper is placed in the train which is equipped with a vestibule at each end. With the exception of the sleeper operated on alternate days all the cars are of light weight, low center gravity, all steel construction, with steel plates on the side in addition to steel underframe, and in order to maintain its schedule the train must operate at an average speed of 60 to 70 miles per hour, but has a maximum speed of 90 miles per hour. The defendant is an *interstate* railroad and this train is an *interstate* train, but the testimony does not indicate that any *interstate* mail, baggage, or other matter is carried in this car. The answer alleged that the mail and baggage carried in this car terminated at Kansas City, and there is no proof as to whether any of it originated at points outside of Missouri.

In the view which we take of the matter, that we are controlled by statute in the decision of this case, we deem it unnecessary to review the testimony any more fully than we have done, but if we have omitted any necessary facts in the foregoing they will be hereinafter treated.

V

Contentions

At the close of the hearing, counsel

for complainant stated that it is the complainant's principal contention that the operation of this passenger train with a baggage car on the rear is a violation of § 5212 Rev Stats Mo 1939. In addition thereto the complaint also alleges that such operation creates an unsafe and hazardous condition to the passengers and employees working on or traveling on said train.

It is the contention of the defendant railroad company in its brief that said § 5212 has been superseded and rendered invalid by the enactment of the Public Service Commission Law in 1913 and by the adoption of the Federal Safety Appliance Act. And the railroad further contends that at all events the proof was wholly insufficient to show that such operation of the baggage car was unsafe and dangerous to the passengers and employees of such train.

Opinion

[1] Said § 5212 Rev Stats Mo 1939 was enacted in 1879, and has remained unchanged since that time. The Federal Safety Appliance Act was enacted in 1893, and still remains the law, with later amendments. Our Public Service Commission Law was enacted in 1913. Session Laws 1913, pp 556-561.

Said § 5212 reads as follows: "In forming a passenger train, baggage, freight, merchandise, or lumber cars shall not be placed in rear of passenger cars; and if they, or any of them, shall be so placed, the officer or agent who so directed or knowingly suffered such an arrangement, and the conductor of the train, shall be deemed guilty of a misdemeanor, and be punished accordingly."

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The defendant in brief has only cited us particularly to §§ 5623 and 5626 (Rev Stats 1939) of our Public Service Commission Law, as supporting its contention that § 5212 has been repealed by implication or was superseded or rendered invalid. Section 5623 gives the Public Service Commission jurisdiction over complaints relating to the "regulations, practices, equipment, appliances, or service of any such common carrier, railroad corporation . . . in respect to transportation of persons or property within this state. . . ."

Section 5626 clothes the Public Service Commission with authority, "to order repairs or changes in the tracks, switches, terminals or terminal facilities, stations, motive power, or any other property, construction, apparatus, equipment, facilities, or device for use by any common carrier or railroad corporation . . . in connection with the transportation of passengers or property . . . or any part thereof which are necessary to promote the security or convenience of the public or employees, or in order to secure adequate service or facilities for the transportation of passengers or property."

The repealing clause of the Public Service Commission Law, § 139, p 651, Session Laws 1913 (Now § 5719 Rev Stats 1939) is interesting. It reads as follows: "That . . . all . . . acts and parts of acts in conflict with this act are hereby repealed. The provisions of this act are not intended to repeal any law now in force unless in *direct* conflict therewith *but is intended to be supplemental to such laws.*" (Italics ours.)

Before determining whether § 5212

has been repealed by implication through the enactment of the Missouri Public Service Commission Law, it is well to discuss two other sections of the Public Service Commission Law enacted in the act of 1913. They are §§ 5619 and 5641 Rev Stats Mo. 1939.

Section 5619 reads as follows: "1. The Commission shall have the general supervision of all common carriers, railroad corporations . . . and shall have power to . . . keep informed as to their general condition, . . . and the manner in which their lines and property, owned, leased, controlled, or operated, are managed, conducted, and operated, not only with respect to the adequacy, security, and accommodation afforded by their service, but also with respect to their compliance with *all the provisions of law*, orders, and decisions of the Commission and charter requirements." (Italics ours.)

Section 5641 provides: "Whenever the Commission shall be of the opinion that a common carrier, railroad corporation, . . . is failing or omitting or about to fail or omit to do anything required of it *by law* or by order or decision of the Commission or is doing anything or about to do anything or permitting anything or about to permit anything to be done, *contrary to or in violation of law* or of any order or decision of the Commission, it shall direct the general counsel of the Commission to commence an action or proceeding in any circuit court in the state of Missouri in the name of the Commission for the purpose of having such violations or threatened violations stopped and prevented either by mandamus or injunctions." (Italics ours.)

It will be observed that § 5212

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makes this operation of carrying a baggage car on the rear of a passenger train to be a violation of law. After a careful comparison of these statutes, we are unable to see that either said §§ 5623 or 5626 or any other provisions of the Public Service Commission Law has, impliedly or otherwise, repealed said § 5212. We have pointed out how *guardedly* the General Assembly limited the repealing clause to *direct* conflicts with other laws and to its declaration therein that the Public Service Commission Law was intended to be supplementary to other such laws.

We are further fortified in that conclusion by the provisions of said § 5619, which gives this Commission jurisdiction not only with respect to adequacy, security, and accommodation afforded by railroad service but also with respect to their *compliance with all the provisions of law*, and by the mandates of § 5641 which compels us to direct our counsel to proceed when we are of the opinion that a railroad corporation is *violating the laws*. Instead of the Public Service Commission Act repealing (by implication or otherwise) superseding or rendering invalid § 5212 we think the whole purpose of the Public Service Commission Law, and particularly as evidenced by the last two named §§ 5619 and 5641, shows an intent to preserve all, or at least practically all of the statutory inhibitions and prohibitions applicable to railroads existing when the Public Service Commission Law was passed in 1913.

The cases cited in defendant's brief are not to the contrary. The case of State ex rel Kansas City v. Public Service Commission, 301 Mo 179, PUR1924C 354, 257 SW 462,

strengthens the views which we have just expressed. That was the case in which this Commission permitted the railroad company to construct its tracks along and across certain streets in Kansas City without having obtained authority from the city, as required by what is now § 5128 Rev Stats Mo 1939. It was urged in that case that the later enactment of statutes which are now §§ 5626 and 5627 Rev Stats Mo 1939, impliedly repealed said § 5128 Rev Stats Mo 1939. The court held to the contrary, saying: "Generally the entire Public Service Act construed in harmony with its letter and subject matter, offers no substantial support to the conclusion that it was intended to repeal any existing statute which under a reasonable interpretation of same could be held not to be in conflict therewith." (PUR 1924C at p 359.)

Thus the Missouri Supreme Court, after quoting from the *repealing* § No. 139 (now § 5719 Rev Stats 1939) of the Public Service Commission Act, it seems to us clearly laid down the rule, respecting contentions that the Public Service Act repealed existing statutes, to be that this act was intended to repeal no existing statute which under any reasonable interpretation of the same could be held not to be in conflict therewith.

A word discussing the other three cases cited in the defendant's brief is sufficient to show how they may be distinguished from the situation at bar and furnish no support to defendant's contention. In Cape Girardeau v. St. Louis-S. F. R. Co. (1924) 305 Mo 590, 267 SW 601, 36 ALR 1488, the doctrine of implied repeal was applied

BROTHERHOOD OF R. TRAINMEN v. MISSOURI P. R. CO.

but on the ground that what is now § 5626 Rev Stats Mo 1939, which does not mention railroad shops, does, however, include railroad shops in the term "or any other property, construction, apparatus, equipment, facilities, or devices for use by any common carrier or railroad corporation." In State ex rel. Alton R. Co. v. Public Service Commission (1934) 334 Mo 985, 70 SW(2d) 52 (see also another case [1934] 334 Mo 1001, 70 SW(2d) 61) holds that the Public Service Commission may order one-half the cost of a subway for highway traffic to be borne by the railroad company. But it is pointed out that the power to do so is granted by what is now § 5627 Rev Stats Mo 1939. In McGrew Coal Co. v. Mellon (1926) 315 Mo 798, 287 SW 450, the court held that a section of the statute enacted in the Public Service Commission Act in 1913 (now § 5623 Rev Stats Mo 1939) impliedly repealed an earlier *rate statute* but this conclusion is clear because § 5623 really covers *rates* in express language.

A reading of its cases will show that the supreme court of this state has not promiscuously applied the doctrine of implied repeal of earlier statutes by the enactment of the Public Service Commission Law, but adheres to a strict construction of the alleged conflict for a determination of such a contention.

When the Public Service Commission Law was enacted in 1913 there were many statutes then existing defining certain acts and conduct of the railroad companies to be unlawful, practically all of which are still retained and to be found in Art 2, Chap 33, Rev Stats Mo 1939. This

report and order will not be prolonged in order to discuss them all for it would be an endless task. But we most respectfully suggest that there are a great many provisions therein upon which it could as well and logically be argued that they were repealed by the enactment in 1913 of the Public Service Commission Law as the argument at bar that this § 52-12 making it a violation of law to carry baggage cars on the end of a train, has been repealed by the Public Service Commission Law enacted later.

This Commission is of the opinion that § 5212 Rev Stats Mo 1939 has in no manner been repealed, superseded, or rendered invalid by the enactment of the Public Service Commission Law.

2

[2, 3] If the operation of carrying a baggage car on the rear of an interstate passenger train is covered or condemned by Congress in the Safety Appliance Act or if the orders of the Interstate Commerce Commission made pursuant thereto have done so, then, in that event this Commission would be without power or jurisdiction to make any effective order in this case. State ex inf. Haley v. Missouri P. R. Co. (1929) 323 Mo 653, 19 SW(2d) 879. In that case our supreme court recognized the fact that Congress had entered the field of the particular subject of safety appliances therein involved, the Interstate Commerce Commission pursuant thereto had covered the particular operation involved, and that thereby Missouri statutes involved in that case were not effective, citing

MISSOURI PUBLIC SERVICE COMMISSION

among other cases, *Southern R. Co. v. United States* (1911) 222 US 20, 56 L ed 72, 32 S Ct 2. The United States courts have consistently followed this last-cited case from the United States Supreme Court. The underlying principle is stated in *Pennsylvania R. Co. v. Public Service Commission*, 250 US 566, 63 L ed 1142, PUR1920A 909, 911, 40 S Ct 36, is tersely stated: "... when the United States has exercised its exclusive powers over interstate commerce, so far as to take possession of the field, the states no more can supplement its requirements than they can annul them."

But the Supreme Court of the United States has been just as positive, when there has been no congressional entry into the field, in sustaining the power of the state and the force of its statutes.

A few forceful examples may be cited of instances in which that court so ruled when there had been no congressional entry into that particular field and the state had statutes applicable to the operation of an *interstate* train in *interstate commerce*. For instance, the *Electric Headlight* statute of the state of Georgia, in *Atlantic Coast Line R. Co. v. Georgia* (1914) 234 US 280, 58 L ed 1312, 34 S Ct 829. Another, the "full crew law" of Arkansas, in *Chicago R. I. & P. R. Co. v. Arkansas* (1911) 219 US 453, 55 L ed 290, 31 S Ct 275. And, as recently as last year, the order of the Illinois Commerce Commission (on its finding that it was essential to the health, safety, and comfort of rear brakemen to do so) directing railroad terminal corporations to provide ca-

boose cars for its employees engaged in switching cars moving in interstate commerce, and such switching movements going from one state into another, in *Terminal R. Asso. of St. Louis v. Brotherhood of Railroad Trainmen* (1943) 318 US 1, 87 L ed 571, 47 PUR(NS) 500, 502, 63 S Ct 420.

The court, per Jackson, J. said: "Appellant claims that there had been congressional occupation of the field by virtue of the Boiler Inspection Act (45 USCA §§ 22-34) the Safety Appliance Act (45 USCA § 1 et seq.) and the Interstate Commerce Act (49 USCA § 1 et seq.) It is not contended, nor do we understand that these statutes by themselves and unimplemented by any action of the Interstate Commerce Commission, lay down any requirement that the cabooses shall or shall not be used on any of the runs in question. Nor is it contended that the Interstate Commerce Commission itself has sought to make any such requirement. At least in the absence of such action these acts do not themselves preclude the state order. *Atlantic Coast Line R. Co. v. Georgia* (1914) 234 US 280, 58 L ed 1312, 34 S Ct 829. *H. P. Welch Co. v. New Hampshire* (1939) 306 US 79, 83 L ed 500, 27 PUR(NS) 238, 59 S Ct 438, and it is unnecessary to consider on this occasion and without the participation of the Interstate Commerce Commission what may be the extent of its power under these acts. If it should in the exercise of granted power determine whether appellant must provide cabooses, the state would be powerless to gainsay it. This and no more is the effect of *Pennsylvania R. Co.*

BROTHERHOOD OF R. TRAINMEN v. MISSOURI P. R. CO.

v. Public Service Commission, 250 US 566, 63 L ed 1142, PUR1920A 909, 40 S Ct 36."

In addition to the foregoing we also cite in support of our conclusion, without comment, South Carolina State Highway Dept. v. Barnwell Bros. (1938) 303 US 177, 82 L ed 734, 58 S Ct 510, and California v. Thompson (1941) 313 US 109, 85 L ed 1219, 39 PUR(NS) 55, 61 S Ct 930, where many other cases are to be found to the same effect.

After diligent search we have been unable to find where either Congress, by legislation, or the Interstate Commerce Commission, by order, has undertaken to specify the order and arrangement of cars in the makeup of a passenger train or has authorized or restricted the carrying of a baggage car on the rear end of an interstate, or any other, railroad passenger train. Nor have we in brief been cited to any.

A perusal of these cases will convince the reader that, absent congressional entry in the particular field, state regulatory laws will be upheld on the particular subject regardless of their effect upon interstate commerce, and although the operation of such state laws may burden or impede interstate commerce. Upon such high authority, we are obliged to hold that although the running time of this interstate train will be increased some twelve to fifteen minutes between St. Louis and Denver, if this baggage car must be carried forward in this train rather than on the rear, that does not so burden or impede interstate commerce as to nullify the provisions of said § 5212.

If, under the rulings cited, Georgia may require electric headlights upon a locomotive pulling a train from one state into another; if Arkansas may compel a full crew to operate such a train; and if Illinois can compel a caboose to be on a switching movement of freight cars running from one state into another, we see no reason why, on principle, Missouri should not be able to enforce its statute (§ 5212 *supra*) forbidding the operation of a baggage car upon the rear end of an interstate passenger train. The applicable regulatory state statutes, on the suggested operations, by these other states, have, in cases which we have previously cited herein, been sustained by the highest authority and they are as closely related by analogy to the case at bar as could be found.

[4] It is the opinion of this Commission that the question of whether or not the carrying of this baggage car on the rear end of this passenger train is safe or unsafe is not material herein, and that we must, in the performance of our duty herein, accept the provisions of said § 5212 as written. For that reason we have not set forth the evidence on the question of safety or discussed the matter. Even if we believed the operation to be a safe one, as to which we express no opinion, still it is our duty to enforce the statute. Sections 5619 and 5641 *supra*.

VII

Conclusions and Orders

The complaint alleges the fact to be that defendant is operating this passenger train and carrying a baggage

MISSOURI PUBLIC SERVICE COMMISSION

car on the rear of the train. The answer admits the fact and it has been proven. Our only duty is to direct the enforcement of the applicable law.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Village of Williams Bay

2-U-1954

March 18, 1944

APPPLICATION for authority to increase water rates; authority granted.

Rates, § 313 — Combined billing — Additional customers.

1. A water utility seeking additional revenue should apply a charge for additional customers on one meter, p. 214.

Rates, § 313 — Multiple billing — Water service.

2. A property owner arranging the piping on his premises, containing several buildings, so that the water service required by such buildings can be taken through one connection to the main should be served through one meter, p. 214.

Rates, § 313 — Multiple billing — Noncontiguous premises — Single ownership.

3. Premises owned or controlled by one person, firm, corporation, or association should be metered separately where they are not contiguous, p. 214.

Rates, § 313 — Multiple billing — Stores and flats in same building.

4. Stores and flats in a building supplied through one meter are classified as customers if each flat or store is equipped with one fixture or more for rendering water service separate and distinct from the other users, p. 214.

By the COMMISSION: On January 13, 1944, the village of Williams Bay, Walworth county, as a water utility, made application for authority to increase its rates from 8 cents to 12 cents per thousand gallons for all water in excess of 200,000 gallons used in each 6-month billing period which would increase revenues approximately \$275 a year from thirteen

large customers and eliminate an alleged loss on such service.

APPEARANCES: Williams Bay Water Department, by W. H. Freytag, Attorney, Elkhorn, and by L. A. Rasmussen, Chairman, and Donald D. Dopke, Superintendent Williams Bay; P. A. Reynolds, Rates and Research Department, of the Commission staff.

RE VILLAGE OF WILLIAMS BAY

The schedule of rates now applicable to general service users in Williams Bay is as follows:

Minimum bill for each 6 months:

8-inch meter	.....	\$4.00
1 " "	.....	6.00
1 " "	.....	10.00
1 1/2 " "	.....	15.00
1 1/2 " "	.....	25.00
2 " "	.....	37.50
3 " "	.....	50.00
4 " "	.....	100.00
6 " "	.....	200.00

Output charges—each 6 months:

First 10,000 gallons	.....	minimum charge for each size meter
Next 20,000 " "	.....	30 cents per thousand gallons
" 20,000 " "	.....	20 " " " "
" 50,000 " "	.....	15 " " " "
" 100,000 " "	.....	12 " " " "
Over 200,000 " "	.....	8 " " " "

All bills are due and payable semiannually on September 30th and March 30th of each year. If not paid by the 15th of the month following date of bill, 10 per cent penalty shall be added, and if not paid by the 25th of the month, water shall be shut off; \$1 will be charged for turning on the water again.

Under the utility's proposal the last step in the output charges would be 12 cents. The utility estimates that such a charge would increase its revenues by about \$408.

Williams Bay is an unusual community in that it is subject to extreme fluctuations in population. It is located on Lake Geneva and many of the water users reside there but a few months of the year. The permanent residents number about 800. The population increases to 5,000 in the summer to create a water supply problem not present in other communities. Facilities must be available to handle the demands of the maximum population. With the extremes of population, the facilities for a considerable part of the year are either lightly loaded or carry no load at all.

As of December 31, 1943, the book cost of the water system at Williams Bay as reported was \$236,247. Subtracting from that figure the contribu-

tions and the depreciation reserve leaves a rate base of \$60,949. Operating expenses in 1943 were \$5,978 compared with \$5,825 in 1939 when a cost study of the utility was made. The superintendent has testified that there has been considerable deferred maintenance which will have to be taken care of subsequent to the cessation of hostilities. We have used the

1943 data in our study of the prospective change in rates.

To the operating expenses of \$5,978 for the year 1943 there has been added an allowance for depreciation of \$3,517, local and school tax equivalent of \$2,711, and a return component of \$3,367, making the total cost of operating the utility \$15,573. Revenues for that same period were \$15,323. Apportioning the cost of operation between the two major classes of service results in the cost of general service of about \$9,319, or \$533 in excess of the revenues from this class of service. While the indicated cost of supplying fire protection service is slightly below the 1943 revenues, no modification of the charge for this service appears desirable because of the uncertainties with respect to future maintenance.

The utility has submitted an analysis of customers' data. Adding to that the consumption of water by smaller users gives data upon which can be

WISCONSIN PUBLIC SERVICE COMMISSION

checked the probable revenue under the proposed rate change. Elimination of the 8-cent step without changing the remainder of the schedule indicates that an increase in revenues of only about \$273 per annum can be expected. Only thirteen customers would have their bills increased by this change, the increases varying from \$1.84 per year to \$124.76.

Analysis of the costs so as to allocate the full charges and fixed expenses on a cubic foot of demand basis, results in the cost of about \$5 per cubic foot. Experience with other utilities has shown that the graduated service charges which vary with the size of the meter will absorb these demand and fixed costs, leaving output costs and the direct cost of filtration charged to general service to be covered by the rates per thousand gallons. The existing graduated minimum charges, which include an allowance of 10,000 gallons of water for each 6-month billing period, appear equitable and in no need of modification at this time.

To provide for the additional revenue of \$553 noted as the difference between the 1943 revenues and the allocated expense of general service, the output schedule should be as follows:

First	10,000 gals. or less each 6 mos.	Min. bill for each size meter
Next	20,000 " " " "	30¢ net per M gallons
"	20,000 " " " "	25¢ " " " "
"	50,000 " " " "	20¢ " " " "
"	50,000 " " " "	17¢ " " " "
"	50,000 " " " "	15¢ " " " "
Over	200,000 " " " "	12¢ " " " "

The utility's practice of billing semiannually has been the cause of considerable controversy in the past few years. The utility has a rule on file which reads:

"Any consumer desiring to discontinue the use of water must give notice thereof in writing on or before the water rent is due or he will be charged with rent until the next regular rent day. No lease of water will be made for a shorter period than one year except where water is used for purposes purely temporary and upon special terms."

Where the consumer gives the utility no notice of disconnection but himself turns off the water and drains the system preparatory to closing up his place, the meter readers can get no accurate check on the consumption. In such cases the utility should render a bill for a minimum of 10,000 gallons (which for a 5/8 inch meter would be \$4 for six months' billing). At the next reading obtainable, if consumption has exceeded 20,000 gallons, only the excess above 20,000 gallons should be billed at the 30 cents per thousand rate, with the other authorized rates applied to the remaining blocks. The rule herein prescribed gives consideration to this change.

[1-4] Another serious consideration which has been underway since a previous rate investigation, is the question of charges for more than one customer on a meter. While the

opinion in that matter discussed a charge for the purpose of comprehending this situation, the order did not include it. If additional revenues are to be obtained, it is desirable that the

RE VILLAGE OF WILLIAMS BAY

utility apply a charge for additional customers on one meter. This is particularly true in certain localities in the village, notably in the Bay View Subdivision, where property has been furnished water service by allowing supply pipes to be laid across private property, some nine houses being served in 1940 from one 3/4-inch meter located in a pit. While the possible diversity of use does not usually place each taker's maximum demand on such a line at the same time, and the size of the meter limits the maximum, there are other factors which are normally to be considered. Among these are certain customers costs which, if spread among the eight additional customers on the line referred to and on other lines on premises having more than one customer, will be allocated more equitably among all users. While such a procedure will lower the average customer cost to all users, it will nevertheless bring the utility a small amount of additional revenues. In fixing the rate per thousand gallons, it must be considered that the lower blocks in rates in the schedule are reached sooner when more customers are connected to the same meter.

Where a meter supplies one customer or unit of service as later defined, the data developed in 1940 and now reanalyzed indicates that an additional charge of \$2 per year or \$1 each six months should be applied. This application would be made only to those premises where there is a possibility of installing additional service connections to each building constituting an aggregation of space occupied, and having a fixture or fixtures for water service separate and distinct from oth-

er users on the premises. Where a property owner arranges the piping on his premises containing several buildings, so that the service required by the several buildings can be taken through one connection to the main, then only one unit of service will be considered. Where the premises served are owned or controlled by one person, firm, corporation, or association, and are not contiguous, each premises should be metered separately.

In Williams Bay there are also several buildings served which have stores on the ground floor and flats above. Such stores and flats in a building supplied through one meter are classified as customers if each flat or store is equipped with one or more fixtures for rendering water service separate and distinct from the other users. Two particular instances shown in the analysis of customer data are the Lackey building and Hotton & Sons. There may be others not indicated on the data before us to which charges for additional customers on a meter should be applied.

It is estimated that by the application of the schedule hereinafter prescribed, about \$500 additional annual revenue will be provided and the utility will earn about 5 per cent return on the rate base.

Findings

The Commission finds:

That the present rates and rules of the village of Williams Bay as a water utility are unreasonable in so far as they differ from those in the order herein, and that a reasonable schedule of rates and rules is that set forth in the order herein; that the charge for fire protection service and

WISCONSIN PUBLIC SERVICE COMMISSION

other rules and regulations now on file are reasonable.

ORDER

It is therefore *ordered*:

That Williams Bay as a water utility discontinue its present schedule of rates in so far as they differ from the rates in the following schedule and make applicable for water service the following schedule of rates, effective the first billing date subsequent to the date of this order:

Minimum bill for each 6 months:		
$\frac{1}{8}$ -inch meter	.....	\$4.00
$\frac{1}{4}$ " "	.....	6.00
1 " "	.....	10.00
1 $\frac{1}{2}$ " "	.....	15.00
1 $\frac{3}{4}$ " "	.....	25.00
2 " "	.....	37.50
3 " "	.....	50.00
4 " "	.....	100.00
6 " "	.....	200.00

First 10,000 gals. or less each 6 mos.

Next 20,000 " each 6 months

" 20,000 " " " "

" 50,000 " " " "

" 50,000 " " " "

Over 200,000 " " " "

Each additional customer on a meter—\$1.00 ea. 6 months.

Min. bill for each size meter

30¢ net per M gallons

25¢ " " " "

20¢ " " " "

17¢ " " " "

15¢ " " " "

12¢ " " " "

sumer when the meter is again read. That is, the bill for the succeeding six months will be computed with the gallons in each block of the rate schedule doubled and credit will be given on that bill for the amount of the minimum bill paid the preceding period.

A customer or unit of service shall consist of any aggregation of space or area occupied for a distinct purpose, such as a residence, an apartment, flat, store, office, tavern, factory, etc., which is equipped with one or more fixtures for rendering water service separate and distinct from other users. Each unit of service shall be regarded as one consumer and the service charge for additional consumers on a meter assessed accordingly,

All bills are due and payable semi-annually on September 30th and March 30th of each year. If not paid by the 15th of the month following date of bill, 10 per cent penalty shall be added and if not paid by the 25th of the month, water will be shut off; \$1 will be charged for turning on the water again.

Where the utility is unable to read meter the fact shall be plainly indicated on the bill, the *minimum charge* covering 10,000 gallons, assessed and the difference adjusted with the con-

except that the additional units in rooming houses as defined below, shall not be classed as separate units of service.

Suites in houses or apartment buildings, where complete housekeeping functions (such as cooking) are not exercised, shall be classed as rooming houses. Thus, houses and apartment buildings having suites of one, two, or more rooms with toilet facilities, but without kitchen for cooking, shall be classed as rooming houses.

Pennsylvania Publications, Incorporated

v.

Pennsylvania Public Utility
Commission et al.

— Pa —, 36 A(2d) 777

April 11, 1944

APPEAL from judgment affirming Commission order dismissing complaint against telephone company's refusal to serve publishers of racing sheet; judgment reversed. For lower court decision, see (1943) 152 Pa Super Ct 279, 50 PUR(NS) 108, 32 A(2d) 40. For Commission decisions, see (1942) 42 PUR(NS) 170 and (1942) 43 PUR(NS) 26.

Service, § 134 — Grounds for denial — Telephone used to aid unlawful activities.

1. Telephone companies may not refuse service to persons engaged in legitimate enterprises merely because such subscribers may furnish information over telephone facilities which may enable others receiving it to use it illegally, p. 220.

Gambling — Racing publications — Gambling devices.

2. A racing publication containing information relating to horse racing is not a device or apparatus for gambling, such as would justify a telephone company in refusing service to the publisher, although it is useful to the gambler in placing wagers, p. 220.

Service, § 134 — Grounds for denial — Telephones used to aid gambling.

3. Free information service by telephone furnished by the publisher of a racing sheet whereby purchasers of the publication can call the publisher and secure racing information does not come within the provision of the statute making it unlawful for a utility knowingly to furnish a private wire for use in the dissemination of information in furtherance of gambling, p. 221.

Before Maxey, C. J., and Drew, Linn, Stern, Patterson, Stearne, and Hughes, JJ.

APPEARANCES: Lemuel B. Schofield, W. Bradley Ward, and Arthur W. A. Cowan, all of Philadelphia, for

appellant; William H. Lamb and E. Everett Mather, Jr., both of Philadelphia, for appellee Bell Telephone Co.; Frederick L. Kiger and Harold A. Scragg, both of Harrisburg, and James H. Duff, Attorney General for appellee Public Utility Commission.

PENNSYLVANIA SUPREME COURT

DREW, J.: These appeals¹ of Pennsylvania Publications, Inc., are from a judgment of the superior court, which affirmed an order of the Pennsylvania Public Utility Commission dismissing a complaint filed against The Bell Telephone Company of Pennsylvania.

One Abraham Plotnick desiring to set up in his own behalf a business of publishing and distributing a daily paper or pamphlet devoted primarily to horse racing, similar to that of his former employer, this appellant, filed a complaint with the Commission, alleging, inter alia, that the telephone company refused to render the necessary service to him and that such refusal was discriminatory. He presented copies of appellant's publication as the model of his proposed activities. After hearing, the Commission, on July 8, 1940, found that the refusal to provide telephone and teletypewriter service was justifiable, for the paper Plotnick contemplated publishing and distributing was a "scratch sheet" such as generally used by bookmakers in connection with the registering and recording of bets on horse races and that the facilities of the telephone company, if furnished to him, would be used, or might be used, in furtherance of horse race betting, which is contrary to the law of this commonwealth. On appeal, the learned superior court affirmed the action of the Commission: *Plotnick v. Public Utility Commission* (1941) 143 Pa

Super Ct 550, 39 PUR(NS) 423, 18 A(2d) 542.

Four days after the Commission dismissed Plotnick's complaint, the telephone company notified appellant, Pennsylvania Publications, Inc., by letter that it must terminate at noon on July 22, 1940, all telephone and teletypewriter service which was being furnished to appellant, because of the report and order entered by the Commission in the Plotnick Case, *supra*. On July 23, 1940, appellant filed its complaint with the Commission, praying for an order on the telephone company to continue the service that it had been furnishing to appellant. Later an injunction was granted in the court of common pleas to prevent the threatened removal of service. After a number of hearings and the taking of much testimony, the Commission ordered the complaint dismissed. The Commission reached its conclusion by a three to two majority, after one of the five Commissioners, upon objection of counsel for appellant that he was disqualified by reason of bias and prejudice against appellant, withdrew from taking part in the deliberations and decision of the Commission. But, after the remaining Commissioners voted two to two, the withdrawing Commissioner appeared and cast the deciding vote. The superior court, on appeal, affirmed the order of the Commission and dismissed the appeal: *Pennsylvania Publications v. Public Utility*

¹ We deem it expedient to overlook the fact that the appeal at No. 204 January term, 1943, was taken without special allowance of this court (which under our decisions is improper: In *Re Melon Street* (1897) 182 Pa 397, 38 Atl 482, 38 LRA 275; In *Re Boyle's License* (1899) 190 Pa 577, 42 Atl 1025, 45

LRA 399), since the appeal at No. 239 January term, 1943, was taken from the same judgment pursuant to the order of June 30, 1943, of this court, allowing an appeal, and under our order of August 20, 1943, both appeals were consolidated and argued together.

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PENNSYLVANIA PUB., INC. v. PENNSYLVANIA PUB. UTIL. COM.

Commission (1943) 152 Pa Super Ct 279, 50 PUR(NS) 108, 32 A (2d) 40. The present appeals then followed.

This appellant and its predecessor have been engaged for many years in Pennsylvania in the business of publishing and distributing a paper called "William Armstrong, Jockeys, Scratches, Daily Sports," and had been using the facilities of the telephone company in connection therewith.

Pennsylvania Publications, Inc., is a Pennsylvania corporation, a subsidiary of or successor to the William Armstrong Publishing Company, and affiliated with the New York firm of Armstrong Racing Publications, Inc. The latter corporation maintains in New York city a racing library which is used not only by its handicappers and selectors, but also by the public and the Turf Writers Association—those interested in breeding and racing thoroughbred horses. Appellant's publication, which has no subscribers and is only sold from newsstands at the price of 25 cents a copy, is devoted almost exclusively to furnishing information regarding horse racing at the various tracks throughout the United States. It gives the names of the horses running, jockeys, post positions, weights which the horses carry, probable odds, scratches, condition of the tracks, and other data of interest to followers of horse racing. Practically all of this information is given daily on the sports page of every newspaper in the country. There also appears in appellant's paper, immediately preceding the name of each horse, what is called the "Armstrong Number." This number, ac-

cording to the testimony, indicates the order in which appellant's experts believe the horses will finish. In the upper left-hand corner of the inner page of the publication is printed the telephone numbers of appellant in Philadelphia and Wilmington, under the caption "Armstrong's Free Phone Service."

The Commission found, among other things, that: "The 'Free Phone Service' offered by complainant [appellant herein] in its publication is provided in Pennsylvania in the following manner: Any purchaser of an Armstrong Sheet may call the Philadelphia telephone numbers listed . . . and secure results of races already run and other racing information. It is for the purpose of disseminating such information that the teletypewriters and the 40 lines and five 'order turrets' connected therewith are maintained by complainants. Information as to race results is received by teletypewriter and is given to anyone who requests it. In furnishing the results of any race the number listed at the left of the horse's name on complainant's sheet is given but the name of the horse itself is never mentioned . . . While the exact use made of each Armstrong sheet that is sold cannot be ascertained, the sheet is employed extensively by horse-race bookmakers, i. e., those who receive bets on horses, in Philadelphia, in the conduct of their business. From the uncontradicted testimony of Captain Craig Ellis, head of the vice squad of the Philadelphia police, it appeared that for the past ten years bookmakers have used Armstrong sheets, and that in the past several years practically every one of the numerous

PENNSYLVANIA SUPREME COURT

raids conducted by the Philadelphia vice squad on bookmakers and book-making establishments have revealed the use of complainant's publication."

[1] The primary contention of appellant is that the evidence adduced is insufficient to support the order of the Commission. It is well established that it is the duty of a telephone company to furnish service and facilities without discrimination in favor of or against anyone who will pay the applicable tariff rates and abide by the reasonable regulations of the utility: *Bell Teleph. Co. v. Com. ex rel. Baltimore & O. Teleg. Co.* (1886) 2 Sadler 299, 3 Atl 825; *Commercial U. Teleg. Co. v. New England Teleph. & Teleg. Co.* (1888) 61 Vt 241, 17 Atl 1071, 5 LRA 161, 15 Am St Rep 893; *Western U Tel. Co. v. State ex rel. Hammond Elevator Co.* (1905) 165 Ind 492, 76 NE 100, 3 LRA(NS) 153, 6 Ann Cas 880. This obligation, however, is limited to lawful service, for obviously to compel a public utility, under the guise of impartial regulation, to furnish service and facilities for purposes which are illegal would be contrary to public policy. Therefore, public service companies will not be compelled to furnish service to "bucket-shops" (*Western U. Teleg. Co. v. State ex rel. Hammond Elevator Co. supra*; *Smith v. Western U. Teleg. Co.* [1887] 84 Ky 664, 2 S W 483); or to bawdy houses (*Godwin v. Carolina Teleph. & Teleg. Co.* [1904] 136 NC 258, 48 SE 636, 67 LRA 251, 103 Am St Rep 941, 1 Ann Cas 203); or to subscribers who use their telephones to receive and register bets on horse races in violation of law. (*People ex rel Restmeyer v. New York Teleph. Co.* [1916] 173 App

Div 132, 159 NY Supp 369). However, such companies are not justified in refusing service to persons engaged in legitimate enterprises merely because such subscribers may furnish information over the facilities which may enable others receiving it to use the same illegally. In this connection, it is stated in *Wyman on Public Service Corporations*, Vol. 1, § 612, p. 500: ". . . it makes no difference to the right to service that illegal conduct may happen after the service is complete, provided that such conduct will be really independent of the service asked. Thus a railroad cannot excuse itself for failure to transport liquor by showing that the consignee may probably resell it in violation of the prohibition law. It is no excuse that a passenger may get into trouble upon her arrival at her destination, it being usual for her to get intoxicated there."

[2] In the instant case, the appellant is engaged in a legal business. The publication of a newspaper featuring horse racing is not illegal. Horse racing is not prohibited by law in Pennsylvania, and there is nothing in our legislative history to indicate that it is contrary to public policy. Furthermore, there is nothing inherently wrongful in horse racing, and it is no more objectionable than baseball, football, and other sports. Betting is not a necessary concomitant of horse racing. It is a well-known fact that many lovers of horses never place a bet on the result of a race, that while opposed to gambling they have a deep interest in developing and racing horses. Thousands upon thousands of people attend race meetings regularly for the enjoyment they get

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from the contests but have no interest in betting. A racing publication conveying information such as does the paper of appellant, though useful to the gambler in placing his wagers, is not a device or apparatus for gambling: *People v. Engeman* (1909) 129 App Div 462, 114 NY Supp 174, affirmed (1909) 195 NY 591, 89 NE 1107. In holding that the Commissioner of Licenses of the city of New York had no legal power to ban the Armstrong publications and other similar papers, which do not print racing tips, but rather selections based on study, it recently was said in *Armstrong Racing Publications v. Moss* (1943) — Misc —, 43 NY Supp (2d) 171, 174: "The court is not unmindful of the testimony of the police that invariably when arrests for 'bookmaking' . . . were made, a copy of one, several or all the publications of these plaintiffs were found in the possession of the one arrested. . . . In the light of the custom, usage, ethics, and psychology of our community, it seems fairer to measure these publications in the same way as similar information in the general newspapers of the community is concerned."

[3] The "Free Phone Service," which is the primary basis of the Commission's order, does not come within the provisions of the act of December 1, 1938, P.L. 111, as amended by the acts of May 25, 1939, P.L. 207, and June 24, 1939, P.L. 674, 66 PS § 1701 et seq., which makes it unlawful for a utility knowingly to furnish a private wire for use in the dissemination of information in furtherance of gambling; nor is there

anything in this record to indicate that the service sought by appellant is a subterfuge for such prohibited wire. The information given by appellant over its telephones was limited to furnishing of results of races according to the number assigned to the horse in the publication. There is no contention here that any other information was afforded. Appellant did not make available fluctuating odds, which are absolutely essential to the gambler; nor did it receive or accept bets of any kind. "The furnishing or receiving of racing or sporting information is not gambling and is not a crime": *Re American Teleph. & Teleg. Co.* (1937) 126 Pa Super Ct 533, 539, 191 Atl 210, 213. The record here is entirely barren of anything which would in any way cast doubt on the legitimacy of appellant's business. We are not so gullible as to suppose that the race results obtained over the telephone from appellant do not to some extent facilitate the paying off of bets, already placed, and no doubt are used for that purpose by bookmakers. Similarly, the publication by the newspapers of the country or the announcement over the radio of the results of baseball and football games, prize fights, and other such activities may be an aid to gamblers, yet no one would seriously contend that the furnishing of such news was against the public policy of this commonwealth, and therefore such newspapers and radio stations should be deprived of telephone or teletype-writer service.

Fogarty v. Southern Bell Teleph. & Teleg. Co. (1940) 35 PUR(NS) 296, 34 F Supp 251 and *Hamilton v. Western U. Teleg. Co.* (1940) 36

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PUR(NS) 38, 34 F Supp 928, cited and relied upon by appellee, are readily distinguishable on their facts from the instant case. In both those cases there was ample evidence to support the utilities' contention that they had reasonable grounds to suspect the illegality of the subscribers' business. Here there is absolutely no evidence to indicate that appellant was engaged in an unlawful enterprise. All that was here shown was that some recipients of the news distributed by appellant used or may have used it for an unlawful purpose. It would be just as absurd to contend that manufacturers of playing cards and dice were aiding and abetting gambling and should be denied telephone service because policemen found such objects when raids were made, as it is to argue that the appellant in the instant controversy should be refused service because "in the past several years practically every one of the numerous raids conducted by the Philadelphia vice squad on bookmakers and bookmaking establishments have revealed the use of complainant's publication."

We fully agree with the following statement of Commissioner Thorne in the dissenting opinion filed by him in the instant case: "The majority find that the telephone and teletypewriter service of the complainant 'would be used' rather than could be used in the encouragement and furtherance of the bookmaking business, which, according to the majority, would use this service. This business exists not by reason of telephone service furnished by the respondent, but rather by failure of the law enforcement agencies to apprehend and put out of business such law violators. It is manifestly

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impractical for the Bell Telephone Company to seek out and discontinue service to every law violator, or to everyone who aids and abets in law violations within the commonwealth of Pennsylvania, and such an order would impose an undue burden on the Bell Telephone Company. Consistent with the majority opinion, the respondent should immediately attempt to ascertain the names and cease furnishing service to everyone in any way connected with the publication or distribution of this sheet, such as the carrier who transports it from New York, those parties who distribute it to the newsstands, the printer who prints the information contained therein, as well as the individual who might merely, out of curiosity, desire information such as is furnished by the complainant and who purchases a sheet and uses his own telephone to call for this information." . . . Merely because someone happens to use this sheet illegally is no reason to deprive those who, for reasons which may be perfectly legitimate, also desire to use the service furnished by the complainant. And whether it be a 'scratch sheet,' a newspaper, or any other publication furnishing information on horse racing which is conducted legally under the laws of the various states, no right is conferred upon this Commission to usurp the police power of either the city of Philadelphia or any other municipality." (42 PUR(NS) at pp. 179, 180.)

In *People v. Brophy* (1942) 49 Cal App(2d) 15, 33, 34, 120 P(2d) 946, 956, it was said: "Public utilities and common carriers are not the censors of public or private morals, nor are

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they authorized or required to investigate or regulate the public or private conduct of those who seek service at their hands. . . . The telephone company has no more right to refuse its facilities to persons because of a belief that such persons will use such service to transmit information that may enable recipients thereof to violate the law than a railroad company would have to refuse to carry persons on its trains because those in charge of the train believed that the purpose of the persons so transported in going to a certain point was to commit an offense, or because the officers of such company were aware of the fact that the passengers were intent upon visiting a bookmaking establishment upon arrival at their destination, which establishment was maintained for the purpose of unlawfully receiving bets

on horse races. Furthermore, the furnishing or receiving of racing or sporting information is not gambling and is not a crime."

For these reasons, we are convinced, after a thorough study of this voluminous record, that the Bell Telephone Company failed to produce any evidence which could, by any stretch of the imagination, meet the burden cast upon it of justifying its depriving appellant of the telephone and teletypewriter service it had furnished for so many years. In this disposition of the case, it is unnecessary to consider and pass upon the other assignments of error filed by appellant.

Judgment of the superior court is reversed, and the record is remitted to the Pennsylvania Public Utility Commission to make and enter an order consistent with this opinion.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re Branch Motor Express Company

Assessment Docket No. 1001
March 13, 1944

HEARING on objection to Commission assessment against motor carrier company; objection dismissed.

Commissions, § 58 — Assessments against utilities — Conclusiveness of Commission estimates.

The Commission estimate of a utility's revenues upon which to base its computation of the general assessment for Commission expenditures is binding upon a utility which has failed to file a revenue report, and it is not entitled to have the estimate corrected as a matter of right.

(BUCHANAN and HOUCK, Commissioners, dissent.)



By the COMMISSION: Pursuant to Public Utility Law, the Commission, after notice to Branch Motor Express

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Company, scheduled a hearing for December 8, 1943, on the objections filed to the 1941 general assessment after a previous hearing on November 17, 1943, had been continued at the objector's request.

The objector was given the opportunity to appear and be heard with reference to the objections filed. The hearing was held as scheduled, and from the record of that proceeding we make the following findings of fact and conclusions of law:

On March 2, 1937, a certificate of public convenience numbered A. 11-989, Folders Nos. 6 and 7, was issued to Branch Motor Express Company.

Section 1201(b) of the Public Utility Law provides that "On or before March 31st of each year, every public utility shall file with the Commission, a statement, under oath, showing its gross intrastate operating revenues for the preceding calendar year; provided, however, that if any public utility shall fail to file such statement on or before March 31st, as aforesaid, the Commission shall estimate such revenues, which estimate shall be binding upon the public utility for the purpose of this section." For the sake of uniformity, the Commission sends out report forms to all public utilities although there is no provision in the law requiring that forms shall be supplied. Report forms were duly sent to the objector.

Objector did not file the revenue report, either within the time limit or at any time thereafter. Consequently, when, in 1943, the Commission began its computations of the general assessment for 1941 expenditures, it was obligated by law to estimate ob-

jector's revenues. In order that such estimate would have a basis in whatever facts might be available, the Commission consulted the 1941 operating report of objector and found that, under oath, objector claimed revenue from intrastate operations of \$578,220.73, and revenue from interstate operations of \$675,679.73.

The Commission used the former figures and consequently on August 24, 1943, billed objector for \$1,192.10 as its share of the 1941 assessment. On September 2, 1943, objector filed a statement of objections, and thereupon became entitled to a hearing which, as we have said, occurred on December 8, 1943.

The basis of the objection is that the objector's true 1941 intrastate operating revenue was \$80,772.48 and hence that the assessment was much in excess of that which would have been warranted had the true figure been used.

Objector's attention is directed to that clause of § 1201(b) reading "which estimate shall be binding on the public utility for the purpose of this section." There is an excellent reason for this clause. An examination of all of § 1201 will show that the assessment process is a complicated one, and as a matter of fact the computation and billing of an annual assessment requires months of work by ten or more Commission employees. Since the assessment process, unlike taxing, is a division of costs already known, and since the fundamental element of such division is the revenues of the various utilities under our jurisdiction, it follows that the Commission must have basic revenue

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figures upon which it may rely before beginning the assessment calculations. The law therefore makes the estimates reliable by providing that they shall be binding upon utilities which fail to report revenues. Under § 1201(b), as amended, an estimated assessment is binding upon a utility and it is not entitled to have the estimate corrected as a matter of right. Therefore, the Commission will dismiss the objection; therefore,

Now, to wit, March 13, 1944, it is ordered:

1. The objections filed to the assessment of Branch Motor Express Company be and are hereby dismissed.

2. Branch Motor Express Company shall pay to the Commission within 10 days after receipt of this order the sum of \$1,192.10.

Commissioners Buchanan and Houck voted in the negative.

SECURITIES AND EXCHANGE COMMISSION

Re Cities Service Company et al.

File Nos. 59-53, 54-88, Release No. 4944

March 14, 1944

HEARING on plan submitted pursuant to § 11(e) of the Holding Company Act to effectuate compliance with § 11(b) of the act; change of capitalization to common stock basis ordered and plan for compliance with § 11(b) approved.

Security issues, § 94 — Capital structure — Holding companies.

1. The mere existence of senior securities of a holding company complicates the structure of the holding company system, within the meaning of § 11(b)(2) of the Holding Company Act, 15 USCA § 79k(b)(2), where the senior securities are junior to large amounts of long-term debt and preferred stocks of subsidiary companies, and a reasonable necessity for such complication must appear before its existence can be permitted, p. 230.

Security issues, § 94 — Capital structure — Holding company system.

2. Whether a holding company's senior securities constitute an undue or unnecessary complication under § 11(b)(2) of the Holding Company Act, 15 USCA § 79k(b)(2), must be considered in the light of the adequacy and appropriateness of the underlying structure of the system for the support and maintenance of the security structure of the holding company itself, p. 230.

Security issues, § 94 — Capital structure — Holding company system.

3. The debt and preferred stock in a holding company's capital structure not only complicate the structure of the holding company system, but also are inappropriate thereto, where the holding company's ability to meet its interest and preferred dividend requirements depends almost entirely upon the receipt of common stock dividends, p. 230.

Security issues, § 94 — Capital structure — Holding company system.

4. The existence of a substantial amount of cash in a holding company's

SECURITIES AND EXCHANGE COMMISSION

treasury does not indicate that its debentures and preferred stocks are any more appropriate to the corporate structure of the holding company system, but makes all the clearer the fact that such senior securities are an unnecessary complication, and facilitates their elimination pursuant to the requirements of § 11(b)(2) of the Holding Company Act, 15 USCA § 79k(b)(2), p. 230.

Security issues, § 94 — Recapitalization of holding company — Common stock basis.

5. A holding company's capital structure, consisting of debt, preferred, and common stock, should be reduced to a capital structure consisting of common stock only where the debt and preferred stocks of its subsidiaries more than exhaust the maximum of senior securities appropriate to the structure of the holding company system, p. 230.

Security issues, § 5.1 — Recapitalization plan — Premiums.

6. Where a holding company is ordered to recapitalize on a common stock basis in order to comply with § 11(b)(2) of the Holding Company Act, 15 USCA § 79k(b)(2), a plan providing for payment of publicly held debentures and preferred stocks of the holding company at principal amount and involuntary liquidating value respectively and for the issuance of short-term notes to banks to be paid off out of the holding company's earnings and proceeds of sale of interests not retainable under § 11(b)(1) of the act, and providing for the surrender of the balance of the holding company's preferred stock to its parent, is necessary to effectuate the provisions of § 11(b) of the act and is fair and equitable to the public senior security holders, notwithstanding that there is to be no payment of premiums, p. 237.

APPEARANCES: Clinton J. Ruch and Eugene R. Sullivan, of Frueauff, Burns & Ruch, New York, N. Y., and Joseph L. Weiner, New York, N. Y., for Cities Service Power & Light Company and subsidiaries and for Cities Service Company; F. H. Heiss of Rathbone, Perry, Kelley & Drye, New York, N. Y., for Central Hanover Bank and Trust Company, Trustee under the debenture agreement of Cities Service Power & Light Company; Myron S. Isaacs, for the Public Utilities Division of the Commission.

By the COMMISSION:

Introduction

Cities Service Power & Light Company ("Power & Light"), a registered holding company and a sub-

sidary company of Cities Service Company ("Cities"), also a registered holding company, has filed a plan and amendments thereto ("the Plan") pursuant to § 11(e) of the Public Utility Holding Company Act of 1935, 15 USCA § 79k(e), for the purpose of enabling Power & Light to comply with the provisions of § 11(b) of the act, 15 USCA § 79k(b).

On December 22, 1943, we issued our notice of filing and notice of and order for hearing on the Plan.¹ By order dated January 4, 1944, we consolidated the proceeding on the Plan with a proceeding theretofore instituted by us with respect to Cities, Power & Light and certain of their subsidiaries under §§ 11(b)(2), 12(c), 12(f) and 15(f), 15 USCA §§ 79k(b)(2), 79l(c), (f), 79o(f).²

¹ Holding Company Act Release No. 4777.

² Holding Company Act Release No. 3769, 53 PUR(NS)

order dated August 29, 1942. Hearings were held from time to time prior to the filing of

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Hearings have been held in the consolidated proceedings, we have considered the record, and we make the following findings:

(a) The Plan

In addition to its outstanding common stock, all held by Cities, the capitalization of Power & Light consists of the following securities held respectively by Cities and by others:

Security	Amount Outstanding	Held by Cities	Held by Others
5½% Debentures due '49	\$14,836,000	\$1,914,000	\$12,922,000
5½% Debentures due '52	30,936,000	2,289,000	28,647,000
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\$5 Preferred stock	\$45,772,000	\$4,203,000	\$41,569,000
\$6 Preferred stock	50,000 shs.	49,352 shs.	648 shs.
\$6 Preferred stock	70,448 "	38,791 "	31,657 "
\$7 Preferred stock	55,390 "	33,711 "	21,679 "
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	175,838 "	121,854 "	53,984 "

The involuntary liquidating value of said preferred stock, which is without par value, is \$100 a share. The voluntary liquidating value and call price of the \$5 and \$6 preferred stock is \$105 per share, and of the \$7 preferred stock \$110 per share. The indentures covering the debentures of Power & Light provide for redemption at Power & Light's option of all or any part of the debentures due 1949 and 1952, respectively, upon payment of the principal thereof and interest thereon accrued to the date of redemption, together with a premium of 2 per cent if redeemed on or before June 1, 1945, and November 1, 1947, respectively.³

the Plan herein, and one of the issues, whether we should prohibit or restrict payments by Power & Light to Cities of principal, interest and dividends on the securities of Power & Light held by Cities, has been submitted to us for decision.

³ The relevant provisions of the debentures and debenture indentures are quoted in Appendix 4, annexed hereto (omitted herein), and are discussed below.

⁴ The above figures include \$200,400 cash

Power & Light proposes to retire its outstanding debentures held by others than Cities in the aggregate principal amount of \$41,569,000 by payment in cash of the full principal amount thereof, but without premium, and to retire the 53,984 shares of its preferred stock held by others than Cities, by payment in cash of the involuntary liquidating value thereof, namely, \$100 per share. The above

program would require the expenditure of \$46,967,400 in cash.

At December 31, 1943, Power & Light had in its treasury cash of \$29,851,656, of which \$22,463,525 had been derived from sales of Public Service Company of Colorado, Durham Public Service Company, and The Lake Shore Coach Company.⁴ These companies were disposed of pursuant to Power & Light's program of compliance with § 11(b)(1), discussed hereinafter. Power & Light proposes to apply \$26,967,400 of its treasury cash, plus \$20,000,000 to be borrowed from banks, to acquire its publicly held senior securities as stat-

expected to be received from the sale of Durham Public Service Company, in addition to \$1,500,000 already received from that sale. \$1,500,000 of Power & Light's cash has been used to buy additional common stock of The Ohio Public Service Company in connection with the Ohio company's acquisition of the common stock of The Marion-Reserve Power Company, and \$1,085,146 is offset by accrued interest on funded debt and unrepresented coupons.

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ed above. The terms of the proposed bank loan will be discussed below.

Power & Light proposes to sell, transfer and assign to Cities the following securities, which Power & Light is required to dispose of by our orders under § 11(b)(1), referred to below:

Description of Security	Par or Principal Amount	Carrying Value per Books of Power & Light
6% Demand notes of The Gas Service Company	\$4,700,000	\$4,700,000
6% Cumulative first preferred stock of Kansas City Gas Company	838,220	837,216
6% Noncumulative second preferred stock of Kansas City Gas Company	12,832	11,314
6% Cumulative first preferred stock of The Wyandotte County Gas Company	200,000	200,000
	<u>\$5,751,052</u>	<u>\$5,748,530</u>

Cities proposes to sell, transfer, and assign to Power & Light, in exchange for the above securities, the following securities:

Description of Security	Principal Amount or Par or Involuntary Liquidating Value	Carrying Value per Books of Cities
5½% Debentures of Power & Light due 1949	\$1,914,000	\$1,699,921
5½% Debentures of Power & Light due 1952	2,289,000	2,234,282
1,500 Shares of common capital stock of Ozark Utilities Company	150,000	183,501
6% Demand note of Ozark Utilities Company	874,921	874,921
9,242 shares of \$7 dividend cumulative preferred stock of Power & Light (nopar value)	924,200	755,904
	<u>\$6,152,121</u>	<u>\$5,748,529</u>

Power & Light also proposes to sell, transfer, and assign to Cities the following securities of The Community Traction Company, a company engaged in operating a transit system in the city of Toledo, Ohio:

Security	Par or Principal Amount
8% Cumulative preferred stock ...	\$1,458,950
First mortgage 6% gold bonds due 1946	4,724,000
6% Note due serially to March 1, 1951	406,125
6% Demand notes	327,230
	<u>\$6,916,305</u>

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Of the securities of The Community Traction Company shown above \$995,130 par value of the preferred stock, \$864,000 principal amount of the bonds and all the notes are carried "in suspense" on the balance sheet of The Community Traction Company, and under an ordinance

of the city of Toledo (where the company operates its transportation business) no payments may be made thereon. Witnesses for Power & Light

testified that those securities are substantially worthless, and that the remainder (\$463,820 par value of preferred stock and \$3,860,000 principal amount of bonds) are worth approximately \$3,700,000.

In exchange for said securities of The Community Traction Company, Cities proposes to sell, transfer, and assign to Power & Light 40,000 shares of the \$5 preferred stock of Power & Light with an involuntary liquidating value of \$4,000,000. The carrying value of this stock, per books of Cities, is \$3,508,105.

RE CITIES SERVICE CO.

Cities also proposes to surrender to Power & Light for cancellation and retirement all the remaining shares of Power & Light's preferred stock held by Cities as follows:

Security	Shares	Involuntary Liquidating Value	Carrying Value per Books of Cities
\$5 Preferred stock	9,352 shs.	\$935,200	\$820,195
\$6 Preferred stock	38,791 shs.	3,879,100	2,842,384
\$7 Preferred stock	24,469 shs.	2,446,900	2,001,324
	<hr/> 72,612 shs.	<hr/> \$7,261,200	<hr/> \$5,663,903

Subject to our order approving the Plan, Power & Light proposes on or before March 15, 1944, to deposit with the trustee under the debenture indentures cash in an amount equal to (1) the principal amount of all debentures of Power & Light then outstanding held by others than Cities, plus accrued interest thereon to April 15, 1944, and (2) the involuntary liquidating value of all preferred stock of Power & Light then outstanding held by others than Cities, plus accrued and unpaid dividends thereon to April 15, 1944. At any time thereafter, the holders of such outstanding debentures and preferred stock will be entitled to receive, out of the funds so deposited, the principal amount and involuntary liquidating value of their securities, plus interest and dividends thereon to April 15, 1944, upon surrender thereof.

Power & Light proposes to publish notices of such deposit and of the rights of its debenture holders and preferred stockholders to receive payment as aforesaid, in New York, Chicago and Boston newspapers, at least once in each calendar week for four successive weeks, the first publication to be not less than thirty days before April 15, 1944. A similar notice is to be mailed by Power &

Light not less than thirty days prior to April 15, 1944, to the trustee and to security holders, so far as their names and addresses are known.

Interest and dividends on Power &

Light's debentures and preferred stock are to cease to accrue on and after April 15, 1944, and the holders of such securities are to have only the rights provided for in the Plan.

Power & Light requests that our order herein include, pursuant to §§ 371 and 1808 of the Internal Revenue Code, recitals that the proposed transactions are necessary or appropriate to the integration or simplification of Power & Light's holding company system and are necessary or appropriate to effectuate the provisions of § 11(b), *supra*.

Cities has joined in the application for approval of the Plan, and both Power & Light and Cities ask that we approve and authorize the proposed transactions by each of them incidental to consummation of the Plan.

(b) Issues

The principal questions to be determined with respect to the Plan are:

(1) Whether it is necessary to effectuate the provisions of § 11(b) of the act, and

(2) Whether it is fair and equitable to the persons affected by it.

In addition to the issues arising directly under § 11, we must determine, because of § 6(a), 15 USCA § 79f(a), whether the notes which Power & Light proposes to issue to

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banks satisfy the requirements of § 7, 15 USCA § 79g, and in particular whether they are reasonably adapted to the security structure of Power & Light and the other companies in its holding company system and to the earning power of Power & Light, and whether the terms and conditions of the proposed issue and sale thereof are detrimental to the public interest or the interests of investors and consumers.

Pursuant to § 9(a), 15 USCA § 79i(a), we must consider whether the proposed acquisitions by Power & Light of its own debentures and preferred stock and of the outstanding securities of Ozark Utilities Company will satisfy the requirements of § 10, 15 USCA § 79j. A similar question is involved in the proposed acquisitions by Cities from Power & Light of securities of The Gas Service Company, Kansas City Gas Company, The Wyandotte County Gas Company, and The Community Traction Company. The proposed acquisition and retirement by Power & Light of its senior securities must also be considered in the light of § 12(c), *supra*. The proposed sales of securities by Cities and Power & Light, respectively, must be tested under the standards of § 12(d). In addition, we must decide whether the proposed transactions of Power & Light and Cities with each other comply with the provisions of § 12(f).

We must also decide whether the fees, commissions, and other remuneration to be paid, directly or indirectly, in connection with the Plan

and the proposed transactions thereunder, are reasonable, and whether our order herein should include the requested recitals pursuant to §§ 371 and 1808 of the Internal Revenue Code.

In considering the principal questions under § 11 referred to above in connection with the Plan—its necessity, and its fairness to the persons affected by it—it is appropriate to take up the issue, raised in the proceeding instituted by us under § 11(b)(2) and other sections of the act, whether the corporate structure of Power & Light unduly or unnecessarily complicates the structure of the holding company system of which it is a part, and, if so, what action shall be required to be taken pursuant to § 11(b)(2) with respect thereto. We shall now turn to that issue.

Corporate Structure of Power & Light under § 11 (b)(2)

[1-5] Power & Light, a Delaware corporation, was organized by Cities on November 3, 1924, to take over the interests in various utility companies which Cities had acquired from time to time since its organization in 1910. Those interests had cost Cities approximately \$30,000,000.⁵ In exchange for them, Power & Light issued to Cities \$35,000,000 principal amount and par value of senior securities and \$65,000,000 par value of common stock. Cities sold the senior securities to the public for enough to recoup its entire investment, plus over \$1,000,000 cash. Moreover, at all times since its organization Power &

subsidiaries accumulated between the respective dates of acquisition and the date of transfer of their securities to Power & Light.

⁵ The recorded cost of such interest to Cities was \$38,558,083, but was overstated by more than \$8,500,000. Such recorded cost also includes approximately \$9,000,000 surplus of sub-

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Light has been controlled by Cities through ownership of all Power & Light's common stock, which had been acquired as aforesaid at no actual cost to Cities, and through interlocking officers and directors. There has never been arm's-length bargaining between Power & Light and Cities in any of the transactions herein described.

In March, 1927, Cities transferred certain other securities to Power & Light at a profit to Cities of about \$130,000. In June, 1927, Power & Light acquired certain additional securities from Cities at a price of over \$3,000,000, more than \$1,500,000 in excess of Cities' cost. In 1931 Cities transferred to Power & Light 316,100 shares (approximately 65 per cent) of the common stock of Federal Light & Traction Company for \$21,303,725, book cost to Cities. This price was more than \$13,350,000 in excess of the current market price on the effective date of the sale.

Through these and other transactions, the principal amount and stated value of Power & Light's senior securities increased from \$35,000,000 at organization to \$79,248,891 at June 30, 1932, a net increase of \$44,248,891. Between 1924 and 1932 Power & Light paid Cities approximately \$32,000,000 in common stock dividends.⁶ These dividends on common stock were paid by Power &

Light from borrowed funds, which were for the most part obtained from Cities on open account carrying 6 per cent interest, and from the issuance of senior securities.

In June, 1932, after having paid \$466,658 of preferred dividends and \$2,166,667 of common dividends in the preceding part of the year, Power & Light stopped paying dividends on its preferred stock and did not resume their payment until December 1939. The final payment on the arrearages was made May 8, 1941. On the following day, Power & Light declared and paid to Cities a common dividend of \$900,000, and later that year declared and paid to Cities additional common dividends of \$750,000. During the period of arrearages on Power & Light's preferred stock, Cities purchased 24,481 shares of such stock in the open market at a cost of \$1,217,316, or an average cost of \$49.72 per share. At December 31, 1943, Cities had received \$1,831,103 in dividends on such stock, including payments on arrears.

The past history of Power & Light would indicate that, even apart from the impact of the Holding Company Act on the system, the capitalization of Power & Light was inflated at organization and has been wholly inappropriate to a holding company whose earnings are derived largely from common stock investments in

⁶ When such dividends were paid, Power & Light's books showed earned surplus available therefor. However, such earned surplus had been inflated, principally through taking up as income and earned surplus of Power & Light (a) undistributed earnings of subsidiaries, and (b) the difference between provisions for replacements per books of subsidiaries and the minimum provisions for replacements under Power & Light's debt indentures. If such practices had not been followed, Power

& Light's books would have showed deficits in earned surplus when approximately \$31,000,000 of common dividends were paid by Power & Light to Cities. Also included in Power & Light's earned surplus account was approximately \$3,000,000 representing the excess of amounts paid by its subsidiaries to Power & Light, equivalent to their income taxes computed on an individual return basis, over the actual consolidated taxes paid by Power & Light for itself and its subsidiaries.

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subsidiaries. Examination of the holding company system in the light of changes required by the act demonstrates the need for simplification of Power & Light's capital structure.

At December 31, 1942, Power & Light's holding company system included fifty-three direct and indirect subsidiaries, of which thirty-one were public utility companies within the meaning of § 2(a)(5) of the Act, 15 USCA § 79b(a)(5), two, Federal Light & Traction Company and Central Arkansas Public Service Corporation, were registered holding companies, and the others were engaged in the operation of traction and transportation facilities, the transmission of natural gas, and various other non-utility enterprises. Appendix 1 (omitted herein) annexed hereto, shows the names and corporate relationships of the system companies as of December 31, 1942, indicating changes thereafter. Appendix 2 (omitted herein) shows, as of November 30, 1943, the capitalization of Power & Light's subsidiaries, and the amounts owned (a) by Power & Light, (b) by other system companies, and (c) by others.

As shown in Appendix 1 (omitted herein) Power & Light disposed of its

interests in a number of subsidiaries during the year 1943. The record indicates that such sales have been made pursuant to Power & Light's program of compliance with the integration requirements of the act, as set forth in our findings heretofore made under § 11(b)(1).⁷ Power & Light was there required to dispose of all its interests in subsidiary companies operating outside the state of Ohio. The electric operations of The Ohio Public Service Company, The Toledo Edison Company and The Alliance Public Service Company were found to be a single integrated electric utility system retainable by Power & Light.⁸

Annexed hereto as Appendix 3 (omitted herein) are condensed consolidated and corporate balance sheets of Power & Light as of November 30, 1943, adjusted to reflect the sale by Power & Light of its interest in Durham Public Service Company and the acquisition by The Ohio Public Service Company of the common stock of The Marion-Reserve Power Company,⁹ and further adjusted to reflect involuntary liquidating value of preferred stocks of Power & Light.¹⁰ As of that date, the consolidated and corporate capitalization and surplus of Power & Light, with

⁷ Re Cities Service Power & Light Co. Holding Company Act Releases Nos. 4489 and 4551, orders dated August 17, 1943, and September 10, 1943, 50 PUR(NS) 328, 372.

⁸ We reserve jurisdiction as to the retainability of the gas operations of The Toledo Edison Company and certain nonutility operations in the state of Ohio. Thereafter, pursuant to our order dated November 8, 1943, in Re The Ohio Pub. Service Co. Holding Company Act Release No. 4666. The Alliance Public Service Company was liquidated and its assets acquired by The Ohio Public Service Company. Subsequently, pursuant to our order dated January 7, 1944, in Re The Ohio Pub. Service Co. Holding Company Act Re-

lease No. 4819, The Ohio Public Service Company acquired all the common stock of The Marion-Reserve Power Company.

⁹ These transactions have heretofore been approved by us. See Re Durham Pub. Service Co. Holding Company Act Release No. 4721, Order dated November 30, 1943; Re The Ohio Pub. Service Co. *supra* (Holding Company Act Release No. 4819).

¹⁰ No adjustments have been made to reflect write-ups or items of doubtful value in the asset accounts of the Power & Light system. As set forth hereinafter, the record indicates the possibility that write-ups may amount to over \$19,000,000.

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the same adjustments, were as follows:

The principal amount and involuntary liquidating value of Power &

	Consolidated		Corporate	
	Amount	% of Total	Amount	% of Total
Securities of subsidiaries held by public:				
Long-term debt	\$125,660,446			
Preferred stocks	46,400,488			
	\$172,060,934	54.5		
Minority interest in common stock and surplus	4,708,067	1.5		
	\$176,769,001	56.0		
Securities of Power & Light:				
Debentures	\$45,773,000(a)	14.5	\$45,773,000(a)	34.8
Preferred stock	17,583,800	5.6	17,583,800	13.3
Common stock and surplus:				
Common stock	60,000,000		60,000,000	
Capital surplus	71,865		64,755	
Earned surplus	15,490,117		8,171,156	
	\$75,561,982	23.9	\$68,235,911	51.9
Total capitalization	\$315,687,783	100.0	\$131,592,711	100.0

(a) Prior to the filing of the Plan, \$1,000 principal amount of the debentures had been retired.

As shown in the above tabulation, the debentures and preferred stock of Power & Light are themselves junior to large amounts of long-term debt and preferred stocks of subsidiary companies. The mere existence of senior securities of a holding company under these circumstances complicates the structure of the holding company system, and a reasonable necessity for such complication must appear before its existence can be permitted under the terms of § 11(b)(2).¹¹ Whether Power & Light's senior securities constitute an undue or unnecessary complication under § 11(b)(2) must be considered in the light of the adequacy and appropriateness of the underlying structure of the system for the support and maintenance of the security structure of the holding company itself.

Light's debentures and preferred stock aggregate \$63,355,800; annual interest and preferred dividend requirements thereon amount to \$3,577,878. Power & Light's subsidiaries themselves have outstanding over \$172,000,000 principal amount and par and stated value of publicly held debt and preferred stocks, with annual fixed charges and preferred dividend requirements aggregating \$10,210,946. Power & Light's holdings in subsidiary companies consist for the most part of common stocks, and thus the holding company's ability to meet its interests and preferred dividend requirements depends almost entirely upon the receipt of common dividends.¹² Under these circumstances, the debt and preferred stock in Power & Light's capital structure not only complicate the structure of

¹¹ Re The Commonwealth & Southern Corp. (1941) 9 SEC 609, 614, 40 PUR(NS) 306.

¹² Moreover, Power & Light's income from

its holdings of common stock of Federal Light & Traction Company is subject to the prior requirements of publicly held senior securities

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the system, but also appear to be inappropriate thereto.¹³

pany, and the balance available for the security structure of Power & Light:

	Amount	% of Property Base
Property Base		
Combined net utility plant accounts	\$225,507,424	
Investments and other capital assets	2,441,972	
Net current and other assets	8,212,169(a)	
Total property base	\$236,161,565	
Securities		
Securities of consolidated subsidiaries held by public:		
Senior securities	\$172,060,934	72.9
Minority interest in common and surplus	4,708,067	2.0
	\$176,769,001	74.9
Balance available for corporate structure of Power & Light	59,392,564	25.1
	\$236,161,565	100.0

(a) Excludes discount, expense and premium, abandoned property, and other similar charges, in the net amount of \$7,141,985.

Examination of the assets and earnings of Power & Light's subsidiaries supports this conclusion. As indicated above, the structure of the holding company system is not static, but is contracting as Power & Light proceeds with its integration program. Even now, however, it appears that the underlying structure is inadequate for the support and maintenance of Power & Light's present security structure.

We have set forth below the ratios of outstanding securities of Power & Light's consolidated subsidiaries to their property base as of November 30, 1943, per books, adjusted to reflect the sale of Durham Public Service Company and the acquisition by The Ohio Public Service Company of The Marion-Reserve Power Com-

In our order instituting the proceedings herein,¹⁴ we stated that data in our files tended to establish inflationary items in the plant accounts of The Ohio Public Service Company and The Toledo Edison Company which (after subtracting The Ohio Public Service Company's reserve of \$460,144 for possible plant adjustments) aggregate at least \$8,278,547. Original cost studies prepared by three other subsidiaries of Power & Light¹⁵ indicate that their plant accounts include write-ups (Account 107) aggregating \$10,892,623. If such items, a total of \$19,171,170, were deducted from the combined net utility plant accounts above, the property base would be reduced to \$216,990,395, and the balance available for Power & Light's security struc-

at both the operating and intermediate holding company levels.

¹³ See Re The Commonwealth & Southern Corp. (1942) Holding Company Act Release No. 3432, 44 PUR(NS) 217, affirmed sub nom. Commonwealth & Southern Corp. v. Securities and Exchange Commission (1943) 48 PUR(NS) 72, 134 F(2d) 747; Re Central & S. W. Utilities Co. (1942) Holding Company Act Release No. 3580, affirmed sub nom. Central & S. W. Utilities Co. v. Securities

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and Exchange Commission (1943) 78 US App DC —, 50 PUR(NS) 293, 136 F(2d) 273; Re Community Gas & Power Co. (1943) Holding Company Act Release No. 4395.

¹⁴ (1942) Holding Company Act Release No. 3769.

¹⁵ The Empire District Electric Company (\$6,170,286), St. Joseph Railway, Light, Heat & Power Company (\$3,604,215), and City Light & Traction Company (\$1,118,122).

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ture would be reduced to \$40,221,394, 18.5 per cent of the total.

In addition to its equity in the property base of consolidated subsidiaries, Power & Light had at November 30, 1943 (adjusted for the same transactions as in the above table), net assets of \$32,547,472, including \$5,882,241 of investments in non-consolidated subsidiaries and approximately \$27,000,000 cash.

As shown above, the corporate structure of Power & Light presently includes \$45,772,000 principal amount of debentures and \$17,583,800 involuntary liquidating value of preferred stocks. These senior securities of the holding company are obviously excessive in relation to Power & Light's share in its subsidiaries' assets. The fact that Power & Light has a substantial amount of cash in its treasury, in addition to its equity in subsidiaries, does not indicate that the debentures and preferred stocks of Power & Light are any more appropriate to the corporate structure of the holding company system. Such cash is available as an asset behind Power & Light's senior securities, but its availability makes all the clearer the

fact that such senior securities are an unnecessary complication, and facilitates their elimination pursuant to the requirements of § 11(b) (2).¹⁶

As more of the outlying properties are sold by Power & Light, the property base of its remaining subsidiaries will decrease further, and additional cash will be generated and will be available for reduction or elimination of Power & Light's senior securities. The inadequacy of the underlying structure to support such senior securities, and the fact that they would "unduly and unnecessarily complicate the structure" of the holding company system, will thus be accentuated.

Examination of the income statements of the holding company system leads to the same conclusion. The following tabulation shows the gross income of Power & Light's consolidated subsidiaries, per books, and the portion thereof applicable to Power & Light, together with other corporate income, for the twelve months ended November 30, 1943, and for the average of the years 1939-1942, inclusive, and the twelve months ended November 30, 1943:

	12 Months Ended 11/30/43		5-Year Average	
	Amount	%	Amount	%
Gross income of consolidated subsidiaries	\$22,111,881	100.0	\$20,385,904	100.0
Subsidiaries deductions:				
Fixed charges	7,224,485		7,491,808	
Preferred dividends	2,986,461		3,067,765	
Minority common stock interest	376,834		385,343	
Total	\$10,587,780	47.9	\$10,944,916	53.7
Balance applicable to Power & Light's holdings ..	\$11,524,101	52.1	\$9,440,988	46.3
Income to Power & Light from other sources ...	\$459,022		\$438,016	
Total available to Power & Light	\$11,983,123		\$9,879,004	

¹⁶ Cf. *Re The United Light & P. Co.* (1942) Holding Company Act Release No. 3345, 42 PUR(NS) 193, 197, aff'd sub nom.

New York Trust Co. v. Securities and Exchange Commission (1942) 46 PUR(NS) 270, 131 F(2d) 274, cert. den. (1943) 318 US 786,

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Of the \$11,983,123 available to Power & Light for the twelve months ended November 30, 1943, \$10,089,080, or 84.2 per cent was applicable to common stock held by Power & Light, and an additional \$462,989, or 3.9 per cent, was applicable to the so-called senior securities of The Community Traction Company, which has no common stock outstanding. It should be noted that in addition to the normal uncertainties incident to income on common stocks, the level of earnings of Power & Light's subsidiaries de-

pends considerably upon continuation of the privilege of filing consolidated Federal tax returns with Cities and its oil company subsidiaries.

Moreover, examination of the sources of the income applicable to Power & Light during the twelve months ended November 30, 1943, shows that the greater part of it was applicable to holdings that have been or are to be disposed of. Following is a breakdown by companies of such income:

	Amount	% of Total
A. Interests disposed of during 1943:		
Public Service Company of Colorado	\$3,867,168	
Durham Public Service Company	341,805	
The Lake Shore Coach Company	81,000	
	\$4,289,973	35.8
B. Interests to be disposed of:		
The Empire District Electric Company	\$603,563	
Benton County Utilities Corporation	(4,855)	
City Light & Traction Company	91,029	
Lawrence County Water, Lt. & Cold Storage Co.	44,437	
Federal Light & Traction Company	638,078	
The Community Traction Company	462,989	
St. Joseph Railway, Light, Heat & Power Co.	200,103	
The Danbury and Bethel Gas & Elec. Lt. Company ..	98,445	
East Tennessee Light & Power Company	321,247	
The Knoxville Gas Company	36,785	
Spokane Gas & Fuel Company	(14,087)	
The Pueblo Gas and Fuel Company	35,115	
The Doniphan County Light & Power Company	2,149	
Stark Transit Inc.	82,743	
	\$2,597,741	
Nonconsolidated companies	378,022	
	\$2,975,763	24.8
C. Interests to be retained:		
The Ohio Public Service Company	\$2,592,367 (a)	
The Toledo Edison Company	2,125,020	
Total Income	\$4,717,387 (b)	39.4 (b)
	\$11,983,123	100.0

(a) Includes income received from The Alliance Public Service Company, merged with The Ohio Public Service Company in November 1943.

(b) If adjusted to include earnings from The Marion-Reserve Power Co., all of whose common stock was acquired by The Ohio Public Service Company in January, 1944, applicable earnings of the companies to be retained would be \$4,904,366, or 40.9 per cent of above total income.

87 L ed 1153, 63 S Ct 981, reh. den. (1943)

319 US 781, 87 L ed 1725, 63 S Ct 1155:

"Power has the funds for the payment of these debentures. To let the debentures re-

main outstanding is unnecessary, and they would thus unnecessarily complicate the structure of the system."

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Consolidated gross income of the subsidiaries Power & Light proposes to retain, for the twelve months ended November 30, 1943, was \$10,228,185 and average gross income for the years 1939-1942 inclusive, and the twelve months ended November 30, 1943, was \$9,340,210, after adjusting to include The Marion-Reserve Power Company. The fixed charges and preferred dividend requirements of such subsidiaries (including The Marion-Reserve Power Company) for the twelve months ended November 30, 1943, amounting to \$5,290,228, were covered 1.9 times by gross income for the twelve months ended November 30, 1943, and 1.8 times by average gross income for the 5-year period. Adding the \$3,577,878 of annual interest and preferred dividend requirements of Power & Light's present capital structure would result in a coverage of less than 1.2 times provided by gross income for the 12-month period, and less than 1.1 times provided by average gross income for the 5-year period. Moreover, more than 99 per cent of the income applicable to Power & Light's interests in its Ohio subsidiaries was common stock income, subject to the fluctuations mentioned above. Obviously the senior securities of Power & Light are excessive in relation to the income available to service them after compliance by the Power & Light system with § 11(b)(1).

Nor has any reasonable necessity been shown for the existence of any senior securities in the capital structure of Power & Light. Power & Light concedes that any stratification of its capital structure would unduly

and unnecessarily complicate the structure of its holding company system. In view of the findings above, our order herein will require that the capital structure of Power & Light, now consisting of debt, preferred stock and common stock, be reduced to a capital structure consisting of common stock only.¹⁷

Necessity of the Plan to Effectuate the Provisions of § 11(b)

[6] As stated above, in order to effectuate the provisions of § 11(b)(2), Power & Light must change its corporate structure to one consisting of common stock only. The Plan would eliminate from the corporate structure of Power & Light \$63,355,800 principal amount and involuntary liquidating value of debentures and preferred stocks, all the senior securities presently outstanding. Power & Light would issue \$20,000,000 principal amount of Notes to banks, such Notes to be paid off over a relatively short period of time out of earnings of Power & Light and proceeds of sale of interests not retainable under § 11(b)(1), leaving Power & Light with a corporate structure consisting of common stock only. In addition, the proposed transfers of securities by Power & Light to Cities are steps toward compliance by Power & Light with our orders entered pursuant to § 11(b)(1).

Thus the Plan proposes a reasonable and appropriate method for effecting compliance with § 11(b) and we find it necessary to effectuate the provisions thereof.

¹⁷ Our findings and order herein do not impugn the validity of the proposed bank loan, discussed below.

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Fairness to Persons Affected by Plan

(a) Public Holders of Debentures and Preferred Stock

The principal question of fairness raised by the Plan concerns Power & Light's proposal to pay the holders of its senior securities (other than Cities, which receives no cash) the principal amount and involuntary liquidating value thereof, without payment of the premiums required in case of redemption or voluntary liquidation.¹⁸

Annexed hereto as Appendices 4 and 5 (omitted herein) respectively, are the relevant provisions contained in the debentures and debenture indentures of Power & Light and in the certificate of incorporation and certificates as to rights of preferred stockholders of Power & Light. Clearly, the premium requirements apply to voluntary action by Power & Light, that is, to redemption at the option or election of the holding company. Power & Light contends that, in view of the requirements of § 11(b), its redemption of senior securities is in essence involuntary, and that the contract provisions regarding premiums are inapplicable.

In *Re The United Light & P. Co.*, *supra*, note 16, and in *Re North American Light & P. Co.*,¹⁹ we concluded that similar provisions for payment of redemption premiums were inapplicable when retirement of the securities involved was made neces-

sary by the requirements of § 11(b). We held that satisfaction of the securities there involved, without payment of redemption premium, was fair and equitable, and in both cases our decision was affirmed on appeal. See also *Re The United Light & P. Co.* (1943) Holding Company Act Release No. 4215, 49 PUR(NS) 8, enforced in *Re The United Light & P. Co.* (1943) 51 PUR(NS) 235, 51 F Supp 217, Court order appealed by Otis & Co., Intervenor, to the U. S. circuit court of appeals for the third circuit; *Re North Continent Utilities Corp.* (1943) Holding Company Act Release No. 4686, enforced in *Re North Continent Utilities Corp.* (1944) 54 PUR(NS) —, 54 F Supp 527.

In each of the cases cited above we had entered an order that the issuer of the securities involved must be liquidated and dissolved by reason of the requirements of § 11(b). No such order, however, had been entered in *Re Consolidated Electric & Gas Co.* (1944) Holding Company Act Release No. 4900. In prior findings in that proceeding we had found that disposition by Consolidated of its interest in a major subsidiary thereof was necessary to effectuate the provisions of § 11; that compliance with § 11(b) would involve substantially complete liquidation of that portion of the enterprise on which the Federated bonds (theretofore assumed and pres-

¹⁸ Such premiums amount to 2 per cent of the principal amount of the debentures, \$10 per share of \$7 preferred stock and \$5 per share of \$6 and \$5 preferred stock. The aggregate amount of premium involved is \$831,380 on the debentures and \$378,315 on the preferred stock. Although no one has requested leave to intervene or to be heard in opposition to the proposed plan, a number of security holders have written to us, and an investment

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banker made a statement at one of the hearings in behalf of certain of his clients, objecting to the proposed retirement of publicly held debentures and preferred stock of Power & Light without payment of premium.

¹⁹ (1942), *aff'd sub. nom. City National Bank & Trust Co. v. Securities and Exchange Commission* (1943) 48 PUR(NS) 195, 134 F(2d) 65.

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b). ently proposed to be paid by Consolidated) had a lien; that application of the proceeds of such sale to the retirement of bonds was a necessary consequence of the sale; and that simplification of the security structure of Consolidated by elimination of the Federated bonds was necessary to effectuate the provisions of § 11(b) (2). In these circumstances, we concluded that payment of the Federated bonds at their principal amount and accrued interest, as provided in the plan of Consolidated, was fair and equitable to the investors affected thereby.

In the instant case, we have heretofore found, pursuant to § 11(b) (1), that Power & Light must dispose of its interest in subsidiaries which then constituted over 55 per cent of the consolidated assets of the Power & Light system.²⁰ Originally controlling a widely scattered empire,²¹ Power & Light will be limited by the compulsory provisions of § 11 to its Ohio properties. As stated above, elimination of all senior securities from the corporate structure of Power & Light is a necessary consequence of such partial liquidation, and is compelled by the provisions of § 11(b) (2). Over \$22,000,000 of the cash that Power & Light proposes to use in paying off its debentures and preferred stock consists of proceeds from the sale of its interests in three subsidiaries, disposed of as part of its program of compliance with § 11 and our orders thereunder.

²⁰ Re Cities Service Power & Light Co. (1943) Holding Company Act Releases No. 4489 and 4551, 50 PUR(NS) 328, 372.

²¹ Prior to passage of the Holding Company Act, Power & Light's subsidiaries operated in

This proceeding differs from those cited above in that a part of the money required to retire the publicly held senior securities is being raised by issuing and selling notes to banks. We have considered the possibility that payment of premiums should be required on that portion of the publicly held debentures and preferred stock that is being so refunded. We have decided, however, that the distinction is not one of substance. Section 11 compels and the Plan proposes complete elimination of Power & Light's senior securities. Within the limits of this over-all compulsion, Power & Light has some freedom of choice as to procedure and timing. We find below that the proposed notes, which are expected to be of short duration, are an appropriate device for facilitating the required elimination of Power & Light's senior securities, and we do not believe the use of that method rather than some other makes the proposed retirement of any of its senior securities optional or voluntary.

We conclude that the contractual provisions with respect to payment of premiums do not apply to the proposed redemption of Power & Light's debentures and preferred stock. Nor would fairness and equity require payment of any premium. The debentures and preferred stock of Power & Light have never been high-grade securities. They were issued at discounts, and between 1931 and July, 1943 the market prices never reached 100.²² Their ratings in the financial

15 states, from Connecticut and North Carolina to Washington and Arizona, and in Canada.

²² The debentures sold as low as 25 in 1933 and the preferred as low as 64 in 1935. As recently as April, 1942, the debentures were selling at 65 and the preferred at 40.

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services since their issuance indicate that they have uniformly been regarded as speculative securities. The rights of the holders of Power & Light's debentures and preferred stock have always been accompanied by substantial risks, so that payment of full principal amount and accrued interest on the debentures, and of \$100 per share and accrued dividends on the preferred stock, is adequate compensation for the termination of such rights.²³

It is true, as discussed below, that certain issues have been raised with respect to possible subordination of Cities' holdings of Power & Light's senior securities. This possibility tends to diminish the risks attached to similar securities held by the public. However, we are of the opinion that the equitable doctrines involved would not require payment of redemption premiums under the circumstances of this proceeding.

We conclude, therefore, that the proposed Plan is fair and equitable to the public senior security holders of Power & Light. In reaching this conclusion, we have not considered it necessary to discuss the relative values of the securities exchanged by Power & Light and Cities since Cities owns all the common stock of Power & Light.

²³ See *Re Consolidated Electric & Gas Co. supra*; we there said, in part (Holding Company Act Release No. 4900):

"Even if the indenture provisions should be deemed applicable by their terms to the retirement of the Federated Utilities, Inc., bonds, as proposed in the plan, it would be necessary for us to determine whether it is fair and equitable to give effect to the provisions under the circumstances. We have previously held that the processes of compliance with § 11 should not be permitted to give a windfall to one class of security holders at the expense of

(b) *Cities and Its Security Holders*

Whether the Plan is fair to Cities and to the security holders of Cities involves consideration of the effect on them of the proposed payments to the public holders of Power & Light's debentures and preferred stock, and of the proposed transfers of securities between Power & Light and Cities.

We have concluded above, in effect, that the proposed payments to public security holders of Power & Light are not too low. We must also consider, from the standpoint of Cities and its security holders, whether such payments to public security holders of Power & Light are too high. This might present a serious problem, particularly with respect to the \$5 and \$6 series of preferred stock, were it not for the fact that the pending proceeding instituted by us²⁴ involves the question, among others, whether there was such an original overcapitalization of Power & Light with senior securities, and mismanagement of Power & Light for the benefit of Cities, in violation of the fiduciary obligations of Cities, as would require subordination of Cities' holdings of Power & Light's senior securities to those of the public under the equitable doctrines enunciated in the "Deep Rock" Case²⁵ and other decisions.²⁶ We have outlined above certain of the

another. Such a windfall would result if compliance makes it necessary to pay a premium to retire bonds where the premium cannot be regarded as compensation to bondholders for the disadvantage of being required to accept payment for their bond in advance of maturity."

²⁴ See footnote 2, *supra*.

²⁵ *Taylor v. Standard Gas & E. Co.* (1939) 306 US 307, 83 L ed 669, 59 S Ct 543.

²⁶ *Pepper v. Litton* (1939) 308 US 295, 84 L ed 281, 60 S Ct 238; *Consolidated Rock Products Co. v. DuBois* (1941) 312 US 510,

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facts concerning the financial history of Power & Light, which might bear on the question of possible subordination. While it should be clearly understood that nothing herein is intended to pass on that question, the fairness to Cities and its security holders, like the question of fairness to the public security holders of Power & Light, must be considered in the light of the pendency of those issues. So considered, we conclude that the payments to public security holders of Power & Light as proposed by Cities are fair to Cities and to its security holders.

Nor is there any unfairness to Cities and its security holders arising from its surrender to Power & Light of securities apparently more valuable than those it is to receive from Power & Light.²⁷ Apart from possible infirmities in Cities' holdings of senior securities, discussed above, Cities holds, as noted, all Power & Light's common stock and will, upon elimination of all Power & Light's senior securities, be its only security holder.

However, reports filed with us by officers and directors of Power & Light and Cities disclose that certain of them have made acquisitions from public holders of the debentures and preferred stock of Power & Light since Power & Light registered

under the act and when it may have been reasonable to anticipate a reorganization or recapitalization of Power & Light. These acquisitions were made at prices substantially below the amounts now proposed to be paid to holders of such securities. The record does not contain the facts and information necessary to determine whether or not the provisions of the Plan, in providing for payment of such amounts to those officers and directors, is fair and equitable and is otherwise in conformity with the provisions of the act.²⁸

Since we cannot at this time determine these questions, our approval of the Plan must be on the condition that Cities and Power & Light shall make appropriate provision to insure that the debentures and preferred stock which are held directly or indirectly on March 13, 1944, by or for any officer or director of Cities or of Power & Light, and which have been acquired since February 24, 1938 (the date Power & Light registered as a holding company), shall be surrendered by such officers and directors under the Plan, and that the cash paid in respect of such debentures and preferred stock shall be held in a special fund by Power & Light. Such cash (which may be invested in government securities) and any increment

85 L ed 982, 61 S Ct 675; *Re Commonwealth Light & P. Co. and Inland Power & Light Corp.* (1944) — F(2d) —.

²⁷ We have not discussed herein the cost to Power & Light of the securities being transferred to Cities, some of which were originally acquired from Cities at amounts exceeding Cities' cost, nor has the record been completed on such matters. We shall, therefore, reserve jurisdiction with respect to all accounting entries to be made both by Cities and by Power & Light in reflecting the proposed transactions.

²⁸ Somewhat analogous issues are before us

on remand in another proceeding; *Re Federal Water Service Corp.* (1941) Commission Files numbered 34-9, 34-41 and 70-28, 8 SEC 893, 41 PUR(NS) 321. For our prior opinion see *Re Federal Water Service Corp.* (1941) Holding Company Act Release No. 3023, 41 PUR(NS) 361; decision reversed, *Chenery Corp. v. Securities and Exchange Commission* (1942) 75 App DC 375, 44 PUR(NS) 138, 128 F(2d) 303; case remanded to the Commission, *Securities and Exchange Commission v. Chenery Corp.* (1943) 318 US 80, 87 L ed 626, 47 PUR(NS) 15, 63 S Ct 454.

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thereto shall be subject to such disposition as may be determined to be appropriate in view of the circumstances in which the securities had been acquired and held. Jurisdiction will be reserved for this purpose.

Subject to the condition just noted, we find that the Plan is fair and equitable to Cities and its security holders.

Other Issues

(a) Proposed Notes to Banks

As stated above, the requirements of §§ 6 and 7 of the act are applicable to the notes which Power & Light proposes to issue to banks pursuant to the Plan. The application herein for approval of the Plan includes a request that it be considered as a declaration filed under § 7(a), pursuant to the requirements of § 6(a), with respect to such notes.

The proposed notes are to be issued and sold solely for the purpose of discharging outstanding securities of Power & Light, and clearly meet the requirements of § 7(c)(2). The provisions of § 7(g) are satisfied, since there is no state Commission having jurisdiction over issuance of the notes.

The notes are to be issued in two series, and are to be secured by pledge of all the securities of its subsidiaries which Power & Light shall own upon consummation of the Plan. Each of the eight banks advancing the money is to receive series A and series B notes in the same proportion.

The series A notes, in the aggregate principal amount of \$6,000,000, are to mature serially in the amount

of \$1,000,000 every six months, beginning six months from their date, and are to bear interest at $2\frac{3}{4}$ per cent per annum payable semiannually. The series B notes, in the aggregate principal amount of 14,000,000, are to mature three years from their date and are to bear interest at $3\frac{1}{4}$ per cent per annum payable semiannually, the rate to be reduced to 3 per cent when the series B notes outstanding aggregate not more than \$9,000,000, and to $2\frac{3}{4}$ per cent when they aggregate not more than \$4,000,000.

Power & Light is to pay the lending banks a commitment fee of \$14,000 when the loan is made in return for the right (absent default) to an extension of \$2,000,000 principal amount of the series B notes for one year, and to an extension of the remaining unpaid principal amount, if any, of the series B notes for two years, from their maturity.²⁹

Power & Light may prepay the notes at any time, in whole or in part, without premium unless such payment is made from the proceeds of other borrowings. In that event prepayment shall be at such premium as will result in a yield basis of $1\frac{1}{2}$ per cent from the date of prepayment to the then date of maturity of the notes prepaid, provided that the premium shall never exceed $2\frac{1}{2}$ per cent. Any prepayment of part of the notes shall be applied first on the series B notes.

The custodian agreement pursuant to which Power & Light's assets are to be pledged provides that Power & Light's securities in its Ohio subsidiaries may not be released from pledge, unless either the holders of all outstanding notes shall first consent in writing, or unless Power & Light shall

²⁹ Any such extension would of course require our approval of a declaration filed with respect thereto under § 7.

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pay off the notes in full concurrently with the release. Power & Light's interest in the "Empire Group" of subsidiaries³⁰ may be released in order to effectuate a plan for the recapitalization of any or all of them, provided that the banks receive three days' prior written notice of the date of filing such plan and of the date of hearing thereon. Power & Light may require the release of the pledged securities of Federal Light & Traction Company in order to effectuate the plan of that company filed December 20, 1943.³¹ As to each of its other direct subsidiaries, Power & Light agrees that unless holders of at least 60 per cent of its outstanding notes shall first consent in writing, Power & Light will not permit it to be merged into or consolidated with any other corporation, to sell all or substantially all of its assets to any other corporation, or to readjust its capital structure in any manner inconsistent with the provisions of the notes or the custodian agreement or prejudicial to Power & Light's ability to perform its obligations on the notes. Power & Light may at any time require the release of any collateral securities (other than securities of its Ohio subsidiaries) upon receipt by the custodian, among other things, of cash equal to the net proceeds of sale.

The pro forma consolidated earnings of Power & Light and its subsidiaries for the twelve months ended November 30, 1943 (giving effect to the sale of Public Service Company

of Colorado and Durham Public Service Company, to the acquisition by The Ohio Public Service Company of The Marion-Reserve Power Company, and to the transactions contemplated in the Plan), before payment of interest or principal on the proposed notes, amount to \$6,371,705. The estimated corporate income of Power & Light for the year 1944, before payments on the notes, is \$4,491,000. The notes require interest payments of \$608,000 for the first year, and principal payments of \$2,000,000 per annum out of Power & Light's earnings.

The note agreement itself provides that Power & Light shall pay no dividends on its common stock, so long as any of the notes remain outstanding, except out of income in excess of the required payments of interest on all the notes and of principal on the series A notes received subsequent to November 30, 1943. The Plan imposes further restrictions during the same period, providing that Power & Light will not declare or pay any dividends on its common stock aggregating more than \$500,000³² in any one year. Power & Light intends to apply net income in excess of that amount, and not required as working capital, either to the reduction of the principal amount of the loan or, to the extent approved by us, to the acquisition of securities of Power & Light's subsidiaries.

We are satisfied from the record herein that the proposed notes are

³⁰ The Empire District Electric Company, Benton County Utilities Corporation, City Light & Traction Company, Lawrence County Water, Light & Cold Storage Company, and Ozark Utilities Company.

³¹ See Holding Company Act Release No. 4832.

³² This amount is slightly in excess of the annual dividend requirements on the preferred stock Cities proposes to surrender to Power & Light.

SECURITIES AND EXCHANGE COMMISSION

likely to be paid before maturity. The record indicates that compliance by Power & Light with our earlier order under § 11(b)(1) in the manner now proposed, that is, through sale of assets, would result in Power & Light's receiving sufficient cash to pay off the notes in full, and under the note agreement all sales proceeds must be applied to payment of the notes. The terms of pledge of Power & Light's assets as security for the notes might tend to impede reorganizations of Power & Light's subsidiaries so long as the notes remain outstanding. However, such restrictions are temporary, and Power & Light will remain free to make the most imperative adjustments. Moreover, the dividend restrictions referred to above will make substantial amounts available for strengthening the capital structures of Power & Light's subsidiaries or for hastening the elimination of all senior securities from the capital structure of Power & Light itself, or both. Under all the circumstances, we are persuaded that the terms of the note agreement and custodian agreement are not detrimental to the public interest or to the interest of investors or consumers, that the proposed notes are reasonably adapted to the security structure of Power & Light and its subsidiaries and to the earning power of Power & Light, and that financing by issuance of such notes is appropriate to the holding company business of Power & Light.

Fees and commissions to be paid in connection with the Plan will be discussed briefly below; we do not find them to be unreasonable.

Thus unfavorable findings are not required under paragraphs (1), (2),

(3), (4), or (6) of § 7(d). Sections 7(d)(5) and (7)(e) are not applicable to the proposed notes, and we do not find it necessary to impose any conditions pursuant to § 7(f). The declaration of Power & Light with respect to said notes may, therefore, be permitted to become effective.

(b) Proposed Acquisitions and Sales of Securities

The proposed acquisition by Power & Light of its own securities, and of the securities of Ozark Utilities Company, appear to satisfy the requirements of §§ 9(a) and 10 so far as they are applicable. Power & Light's acquisition of the Ozark Utilities Company securities has been approved by the Public Service Commission of the state of Missouri. Although the interest in Ozark Utilities Company which Power & Light proposes to acquire from Cities will not be retainable by Power & Light under the provisions of § 11(b)(1), the Ozark properties are presently integrated with those of The Empire District Electric Company and other subsidiaries of Power & Light serving adjacent areas in the state of Missouri, and it appears that the proposed acquisition will facilitate Power & Light's disposition of its entire interest in such properties. As indicated above, the proposed consideration appears to be reasonable. We find, therefore, that the provisions of § 10(f) are satisfied, that unfavorable findings are not required under §§ 10(b) or 10(c), and that, subject to the condition, to be incorporated in our order herein, that Power & Light shall dispose of its interest in Ozark Utilities Company within one year, the

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application of Power & Light for approval of the proposed acquisitions by it may be granted.

The proposed acquisition and retirement by Power & Light of its own securities have been found above to be necessary to effectuate the provisions of § 11(b), and the terms have been found fair and equitable to the persons affected. They may, for reasons previously indicated, be approved pursuant to § 12(c) of the act and Rule U-42 thereunder, and the declaration of Power & Light with respect thereto may be permitted to become effective.

Cities has applied for approval of the proposed acquisition from Power & Light of certain senior securities of The Gas Service Company, Kansas City Gas Company, and The Wyandotte County Gas Company, presently subsidiaries of Cities, and of substantially all³³ the securities of The Community Traction Company. The proposed acquisition of the securities of Kansas City Gas Company has been approved by the Public Service Commission of the state of Missouri, and it does not appear that state laws require such approval with respect to the other proposed acquisitions by Cities.

We have not yet decided whether the present interests of Cities in The Gas Service Company, Kansas City Gas Company and The Wyandotte County Gas Company may be retained by Cities under § 11(b)(1), but the proposed acquisition of additional securities by Cities appears to

present no new problems and, by confining the system's holdings in Cities, should facilitate the ultimate disposition by Cities of its interest in the companies, if such steps should be found necessary under the act. The Community Traction Company is not a utility company, and though it appears to be not retainable along with any of the utility subsidiaries of Cities, the record indicates that Cities intends to comply with § 11(b)(1) through disposition of its utility properties.

We find, with respect to the proposed acquisitions by Cities, that the provisions of § 10(f) are satisfied, and that unfavorable findings are not required under §§ 10(b) or 10(c). We shall, therefore, grant the application of Cities for approval of such proposed acquisitions, subject to the condition that jurisdiction is reserved over the ultimate disposition by Cities of the interests to be acquired.

The provisions of §§ 12(d) and 12(f) are also applicable to the transactions between Cities and Power & Light. For the reasons stated above in our consideration of the Plan, we shall permit the declarations of Power & Light and Cities with respect thereto to become effective pursuant to §§ 12(d) and 12(f) and Rules U-43 and U-44 thereunder.

(c) Fees, Commissions, and Other Remuneration

In addition to the \$14,000 commitment fee referred to above, Power & Light has estimated that its expenses in connection with the Plan will aggregate \$61,300, including counsel fees of Frueauff, Burns & Ruch in the

³³ The public holds 631 shares, par value \$6.310, of the preferred stock of The Community Traction Company.

SECURITIES AND EXCHANGE COMMISSION

amount of \$25,000, and fees to the trustee in connection with the proposed retirement of Power & Light's debentures and preferred stock aggregating \$22,000. In view of the nature of the proceeding and the work necessarily involved, we do not find these fees and expenses unreasonable in amount. Cities proposes to pay \$7,500 thereof, 30 per cent of the estimated fee of Frueauff, Burns & Ruch. Joseph L. Weiner, who also represented Cities and Power & Light in the proceedings, is on retainer paid wholly by Cities. We do not find the proposed allocation of fees and expenses unreasonable and shall approve such payments by Power & Light and by Cities not in excess of the above amounts.

(d) *Internal Revenue Code Provisions*

Power & Light has requested that our order include recitals that certain of the transactions proposed as part of the Plan are necessary or appropriate to the integration or simplification of Power & Light's holding company system and are necessary or appropriate to effectuate the provisions of § 11(b). We have so found, and our order will include appropriate recitals.

(c) *Reservations of Jurisdiction*

We have considered in these findings the question, raised in the proceeding instituted by us pursuant to § 11(b)(2), of what changes must be made in the corporate structure of Power & Light in order that such corporate structure shall not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of the holding company system of Cities and Power & Light. We have not taken up the question whether Power & Light's continued existence would violate the standards of § 11(b)(2), or the other issues in the proceeding relating to Power & Light and its subsidiary companies. Our order herein will, therefore, reserve jurisdiction with respect to such issues. As noted above, we shall also reserve jurisdiction over the accounting entries to be made by Power & Light and Cities in recording the proposed transactions, over the disposition of cash paid in respect of debentures and preferred stock acquired and held by officers and directors of Power & Light and Cities in the circumstances outlined above, and over the disposition by Cities of securities to be acquired from Power & Light.

An appropriate order will issue.

RE WAYNESBORO GAS CO.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re Waynesboro Gas Company

Securities Certificate No. 375

May 3, 1944

SECURITIES certificate filed for extension of maturity date of bonds; certificate registered in so far as it pertained to extension for short period to permit reorganization plan and rejected in so far as it pertained to long extension.

Security issues, § 71 — Basis — Franchises.

1. An amount of \$100,000 for franchises of a gas company having total capitalizable assets of \$326,835 is obviously out of proportion and such amount, therefore, is not a proper support for securities, p. 249.

Security issues, § 89 — Basis — Original cost — Depreciation deduction.

2. The Commission favors original cost to a utility of used and useful long-lived plant, less reasonably adequate deduction for depreciation, as a base for long-term securities, p. 249.

Security issues, § 49 — Interest and dividend requirements — Relation to earnings.

3. Securities should not be issued in an amount greater than the reasonably prospective earnings warrant; they should not be issued unless there are reasonable prospects that interest and dividends can be paid over the lives of the securities, and adequate provision be made for retirement, if debt securities, p. 249.

Security issues, § 9 — Extension of maturity — Bonds not supported by assets — Prospective earnings.

4. Authority to extend the maturity date of bonds should be denied, except as to a short extension sufficient to formulate a plan of financial reorganization, when the bonds are not supported by capitalizable assets and reasonably prospective earnings, p. 250.

By the COMMISSION: Waynesboro Gas Company, filer of this securities certificate, supplies manufactured gas to the public in the borough of Waynesboro, Franklin county. All its outstanding common stock is owned by M. A. Hollengreen and H. Blair Minick, both of Waynesboro, who purchased it from Consolidated Electric and Gas Company on December 16, 1942.

In the securities certificate the com-

pany proposes the extension to February 1, 1963, of the maturity date of \$195,000 principal amount of bonds which matured on February 1, 1943. As extended, the bonds would carry a coupon interest rate of 4 per cent instead of 5 per cent. All the bondholders have agreed to the extension.

It appears from additional information submitted by the company at the hearing (1) that \$20,000 principal amount of bonds owned by the com-

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pany as at the date of filing the securities certificate would be canceled if the Commission should think that the cancellation thereof would be to the interest of the company; (2) that no provision has been made for a sinking fund to retire or redeem at or before maturity all or any part of the bonds proposed to be extended; and (3) that \$6,500 principal amount of bonds acquired by the company since the date of the filing of the securities certificate would be retained as treasury bonds subject to resale by the company.

The securities certificate has been filed with us pursuant to § 601 of the Public Utility Law, which provides that “ . . . every public utility, before it shall execute, cause to be authenticated, deliver, *or make any change or extension in any term, condition, or date of* . . . any bond, note, trust certificate, or other evidence of indebtedness of itself . . . shall have filed with the Commission,

the character, and for the purpose therein proposed, is necessary or proper for the present and probable future capital needs of the public utility filing such securities certificate”; otherwise we are required to reject the securities certificates. Such registration or rejection, § 603 also provides, “may be as to all or part of the securities to which such securities certificate pertains, and any registration may be made subject to such conditions as the Commission may deem reasonable in the premises.” In determining whether a securities certificate should be registered or rejected, in whole or in part, we “may consider the relation which the amount of each class of securities issued by such public utility bears to the amount of other such classes, the nature of the business of such public utility, its credit and prospects, and other relevant matters.”

If the bonds were extended as proposed, then the company would have the following securities outstanding:

	In treasury	Owned by Hollen- green and Minick	Owned by public	Total
First mortgage 4% bonds	\$6,500	.....	\$168,500	\$175,000
Common stock .....	.....	\$100,000	.....	100,000
	<u>\$6,500</u>	<u>\$100,000</u>	<u>\$168,500</u>	<u>\$275,000</u>

and shall have received from the Commission notice of registration of, a document to be known as a securities certificate. . . .” (Italics supplied.)

We are required to register any such securities certificate if we should find, in the language of § 603 of said law, “that the issuance or assumption of securities in the amount, of

The company thus would have \$175,000 principal amount of bonds and \$100,000 par value of common stock outstanding, or a total of \$275,000 of securities. In comparison, the *book value* of the company’s capitalizable assets (assets essential in the conduct of its public utility operations) was as follows as at December 31, 1943:

RE WAYNESBORO GAS CO.

Fixed Capital

Utility plant	\$325,881.81
Less: Reserve for depreciation ...	117,087.92
	<u>\$208,793.89</u>
Franchises	100,000.00
	<u>\$208,793.89</u>
Book value less reserve for depreciation of fixed capital as at December 31, 1943	\$308,793.89
Add: Materials and supplies—per balance sheet	8,563.43
Cash working capital requirements (two months' operating expenses, exclusive of depreciation and taxes)	9,478.00
Total capitalizable assets	<u>\$326,835.32</u>

[1] It appears, then, that the *book value* of total capitalizable assets is \$51,835.32 more than the amount of securities proposed to be outstanding. But the amount of \$100,000 for franchises is obviously out of proportion, and such amount therefore is not a proper support for securities. It was on the books when Hollengreen and Minick acquired control of the company—was “inherited,” so to speak—and admittedly is unsupportable.

[2] As a general rule, we favor original cost to a utility of used and useful long-lived plant, less a reasonably adequate deduction for depreciation, as a base for long-term securities. But the base figure of \$325,881 for utility plant is its books value. This figure may be more or less than the original cost of the plant, which is unknown.

The adequacy of the reserve for depreciation and the life expectancy of the plant are also unknown. It appears that the company is considering substituting natural gas for manufactured gas. This, if done, probably would improve income, but at the same time would entail the abandonment, or partial abandonment, of gas-production plant and related proper-

ties, and would also require the construction—and financing—of a mile-long pipe line to transport the natural gas to Waynesboro.

Elimination of the \$100,000 franchise item results in an adjusted figure of \$208,793.89 for fixed capital less reserve for depreciation, and a figure of \$226,835.32 for total capitalizable assets. On this basis, the amount of securities proposed to be outstanding exceeds by \$48,164.68 the amount of total capitalizable assets, and the amount of bonds outstanding bears the high ratio of 83.8 per cent to the amount of adjusted fixed capital less reserve for depreciation.

[3] In no case should securities be issued in an amount greater than the reasonably prospective earnings warrant; in other words, securities should not be issued unless there are reasonable prospects that interest and/or dividends thereon can be paid over the lives of the securities, and adequate provision be made for the retirement thereof, if debt securities.

Interest at 4 per cent per annum on the \$175,000 principal amount of bonds proposed to be extended amounts to \$7,000. The earnings of the company available for the payment of \$7,000 of bond interest were as follows in several recent years:

Year	Earnings after provision of \$4,800 annually for depreciation	Bond interest	Ratio of earnings to bond interest
1939	\$13,329.84	\$7,000	1.90
1940	12,699.97	7,000	1.81
1941	12,114.36	7,000	1.73
1942	8,893.37	7,000	1.27
1943	9,280.99	7,000	1.32

These earnings-to-bond-interest ratios obviously do not afford a sufficient margin of safety to the company, par-

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ticularly in view of the fact that the earnings of manufactured gas companies, in normal times, have been on a downward curve because of the competition of other fuels and sources of energy. The struggle to meet bond interest may result, if it has not already resulted, in harmful economies in operating and maintaining the company's properties. And unless there is a decided improvement in income—the record gives no promise that there will be, other than the hint about the possible substitution of natural for manufactured gas—the company at the end of twenty years would be in no better position than now to pay off the bonds or to refund them at reasonable terms.

The capitalization of the company clearly should be scaled down. We suggest for the consideration of the company: (1) That \$26,500 principal amount of bonds owned by the company be canceled; (2) that not less than \$28,500 principal amount of the presently outstanding bonds be converted into 4 per cent preferred stock, so as to reduce the outstanding bonds to a total of \$140,000, or a ratio of bonds to fixed capital of 67 per cent; (3) that the mortgage securing the bonds be amended to provide that an amount equal to the annual depreciation charge (not less than \$4,800 per year) shall be expended for additions, betterments, and replacements (but not maintenance) to and of plant, or be used for the retirement of bonds; (4) that the common stock be reduced to an amount which, with the amount of bonds and preferred stock to be held by the general public, will fall within the amount of capitalizable assets. At the same

time the amount at which franchises are carried in the accounts should be reduced to the actual cash cost (to be estimated if not known) incurred in obtaining the franchises.

To give the company time to formulate a feasible and comprehensive plan of financial reorganization, including the obtaining of consents from bondholders, and the drafting of amendments to the indenture of mortgage, we shall approve extension of the date of maturity of certain of the bonds to February 1, 1945.

[4] The matters and things involved at Securities Certificate No. 375 having been duly presented and heard, and full consideration having been given thereto, we find and determine that the extension of the date of maturity of \$168,500 principal amount of the first mortgage bonds of Waynesboro Gas Company to February 1, 1945, subject to appropriate conditions, is necessary or proper for the present and probable future capital needs of said company; that the extension of the date of maturity of said principal amount of said bonds beyond February 1, 1945, is not necessary or proper for the present and probable future capital needs of said company; and that the extension of the date of maturity of \$26,500 principal amount of said bonds beyond February 1, 1943, is not necessary or proper for the present and probable future capital needs of said company; therefore,

Now, to wit, May 3, 1944, it is *ordered*:

1. That Securities Certificate No. 375, filed by Waynesboro Gas Company with respect to the extension of the date of maturity of its first mort-

RE WAYNESBORO GAS CO.

gage bonds from February 1, 1943, to February 1, 1963, be and is hereby registered in so far as it pertains to the extension of the date of maturity of \$168,500 principal amount of said bonds to February 1, 1945; and be and is hereby rejected in so far as it pertains to the extension of the date of maturity of said \$168,500 principal amount of said bonds beyond February 1, 1945, and in so far as it per-

tains to the extension beyond February 1, 1943, of the date of maturity of \$26,500 principal amount of said bonds.

2. That from February 1, 1943, to February 1, 1945, the rate of interest on said bonds shall not exceed 4 per cent per annum.

The Chairman being absent did not participate in the vote on this order.

WISCONSIN PUBLIC SERVICE COMMISSION

Re Interstate Power Company

2-U-1957
May 4, 1944

PETITION for authority to revise power rates; rates revised in order to eliminate connected load basis.

Discrimination, § 99 — Electric rates — Connected load basis.

An electric rate consisting of an hour's use rate plus a service charge based on connected load is unreasonable and discriminatory because of frequent billing on the basis of incorrect load count.

By the COMMISSION: On February 23, 1944, the Interstate Power Company of Wisconsin filed with the Commission a petition requesting authority to revise its power rates applicable in the cities of Prairie du Chien, Crawford county, and Lancaster, Grant county. The proposed rate change would adversely affect certain customers, thus requiring a hearing, although the net effect would be a reduction in revenues to the utility.

Hearing was held in Madison on

March 21, 1944, before Examiner Samuel Bryan.

APPEARANCES: Interstate Power Company of Wisconsin, by E. A. Stewart, Rate Engineer, Dubuque, Iowa, and Doyle Jurney, District Manager, Lancaster; of the Commission Staff, E. M. Downey, Rate analyst.

Opinion

The proposed rate change is intended primarily to cure a rate discrimina-

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tion. The utility has in effect a demand and energy type industrial power rate applicable to customers throughout its territory having demands of 50 kilowatts or more. Various block rates apply to customers with smaller loads, except in Prairie du Chien where the small power customer is billed on an hours use rate plus a service charge based on connected load. This particular rate (Schedule Cp-3) has been in effect since 1913. It is a type of rate that lends itself to discrimination as has been repeatedly pointed out by this Commission in the past. Utility representatives testified that one customer was billed on the basis of 49.75 horsepower, whereas the correct connected load was 80 horsepower.

Newer customers, however, according to testimony, were billed under this rate on the basis of a correct load count. In the absence of frequent periodic load counts discrimination of this nature is likely to ensue, where the rate is based on connected load.

Exhibit 1, submitted by the utility, purports to show the effect of the proposed rate change and indicates the following:

1. Six customers will be shifted to commercial lighting rate with over-all reduction of	\$54.26
2. Five customers will be shifted to commercial lighting rate when premises are rewired, with over-all reduction of	99.93
3. Special rate for city siren will result in a reduction of	21.60
4. Thirty-two customers will be shifted to proposed rate with over-all reduction of	1,311.38
5. No increases in Lancaster—over-all reduction of	588.58
Total net reduction	\$2,075.75

The proposed change would result in increases to fifteen power customers

totaling \$317.87. The largest increase, based on past use, amounting to \$123.42, would not actually be incurred since this customer is now out of business. None of the remaining increases amounts to as much as \$40, but in a few instances they represent an increase of nearly 50 per cent of the customer's bill. While this substantial increase cannot be considered unimportant, it seems necessary in order to accomplish a desirable improvement in rate structure and to remove existing discrimination resulting from the type of rate schedule now in effect.

Findings

The Commission finds:

1. That present schedule Cp-3 of Interstate Light and Power Company, effective in Prairie du Chien, is unreasonable and discriminatory.

2. That present schedule Cp-1, in so far as it applies to Lancaster, is unreasonable.

3. That revised rates for Prairie du Chien and Lancaster, together with the rate for municipal sirens and the rate for retail supplementary or auxiliary service, effective throughout the territory in which said utility is obligated to render service, as hereinafter prescribed, are reasonable.

ORDER

It is therefore *ordered*:

1. That Interstate Power Company of Wisconsin discontinue present rate schedule Cp-3 applicable to power service furnished in Prairie du Chien and present rate schedule Cp-1, in so far as it applies to power service furnished in Lancaster, and place in effect the following rate schedules:

RE INTERSTATE POWER CO.

Cp-3 Commercial Power

Effective in Lancaster and Prairie du Chien

Availability: This rate is available for all power purposes for one (1) hp. or more for commercial and industrial customers, using A.C. service at secondary voltage, either 3-phase or single-phase, but 3-phase service will not be supplied for loads of 5 hp. or less except at the company's option. Lighting is not permitted on this rate and this rate is not available for breakdown, supplementary or stand-by service, or for energy for resale purposes.

Minimum Monthly Bill: \$1.00 per month for any siren with a rated capacity up to 5 hp. plus \$.25 per hp. for each hp. or major fraction thereof of rated capacity in excess of 5 hp.

Service Conditions: Under the above rate, the company will supply the service to sirens where existing capacity is sufficient to render such service and where the company is not required to extend service farther than one normal service span. Where conditions are such that more than one normal span of service extension is required, the municipality shall pay for the cost of any additional extension in

Rate

(For Demands of Less Than 6 kw.)

First 100 kw. hr. used per month	@ \$.06	per kw. hr. net
Next 200 " " " " " "	@ .05	" " " "
Next 300 " " " " " "	@ .04	" " " "
Next 500 " " " " " "	@ .025*	" " " "
Excess " " " " " "	@ .015	" " " "

(For Demands of 6 kw. or More)

The number of kw. hr. in the fourth block of the rate (*) will be increased by 100 kw. hr. for each full kw. of demand in excess of 5 kw.

Prompt Payment of Bills: Customers' monthly bills will be computed at the net rate and there will be added to the total net bill a sum equal to 10 per cent thereof, which will be collected from the customers who fail to pay the net bill within ten days of the date thereof.

Minimum Monthly Bill: \$1.10 gross or \$1.00 net per hp. for the first 5 hp. and \$.55 gross or \$.50 net per hp. for all in excess of 5 hp. of the total rated capacity of the connected load in horsepower, a major fraction of a horsepower shall be considered as one whole horsepower and a kilowatt of heating load will be considered equal to 1 hp.

Billing Demand: The company reserves the right to install indicating or recording demand meters on all customers using in excess of 1,000 kw. hr. per month, and the billing demand shall be taken as the highest indicated or recorded integrated demand during any 15-minute interval in the billing month. In the event that a demand meter is not installed, the billing demand shall be considered to be less than 6 kilowatts unless the customer has a connected load in excess of 10 horsepower in which case demand (in kilowatts) shall be taken as 50 per cent of the connected load in horsepower. Demand meters will always be installed for customers with connected loads in excess of 40 horsepower.

Ms-1 Municipal Sirens

Effective in all towns in Wisconsin District.

Availability: This rate is available for service at 115 or 230 volts, 60 cycles alternating current, single phase, for the operation of sirens by municipalities.

Rate: All kw. hr. used @ 5.0¢ per kw. hr.

Discount Clause—These rates are net and are to be billed net only.

excess of one normal span. The company will supply and install metering equipment for such sirens.

Sirens Served under Other Conditions: In cases where the municipality can locate the siren in such a position that it can be rendered service through the same service extension and meter in use for the operation of the municipal pumping plant or other municipal power, then the siren may be served through such other extension and meter without taking into consideration the additional load of the siren in determining the minimum bill for such service, provided the company is not required to install any additional transformer capacity, or larger service wires or meter in order to render such service to the siren. Where the company is required to install a separate transformer and service wires to serve any siren larger than 2 hp., then such siren shall be metered and billed on the regular power rate with a monthly minimum bill based on the connected load in the same way as any other power load.

In cases where the siren has a rated capacity of 2 hp. or less, such siren may be connected to any commercial lighting load and metered through the same meter as such commercial lighting load without any additional minimum bill in accordance with the availability of the commercial lighting rate.

Sg-4 Retail Supplementary or Auxiliary Service

Effective in all territory served in Wisconsin.

Availability: This rate is available to commercial and industrial customers for service at either primary or secondary distribution voltage where such customers secure a portion of their power requirements from a source other than the utility and who would normally

WISCONSIN PUBLIC SERVICE COMMISSION

take service under the commercial lighting schedule or the commercial power schedule applicable to such kind of service in the community where they are served, for such additional supplementary or auxiliary service as they may require. The customer may contract for maximum load equal to his entire connected load, or for any definite load less than the entire load but for not less than 5 kw. Customers generating facilities must not be operated in parallel with the utility service.

Rate: The standard rate schedules currently in use for commercial lighting and/or commercial power would apply to service to this class of customers under the same provisions of availability as apply to such rate schedules except for the fact that this schedule will apply to supplementary or auxiliary service in accordance with the following provisions:

Minimum Monthly Bill: The minimum monthly bill shall be \$1. per kw. of contract demand or \$1 per kw. of the highest maximum demand taken during the preceding eleven

months, plus \$2 per kw. of demand taken from the utility during the current billing month, but in no event shall the minimum bill be less than \$5.

Maximum Demand: The maximum demand shall be determined by the greatest number of kw. registered during any 15-minute interval as indicated by an integrating demand meter.

Primary Service Discount: Where the customer furnishes and maintains all transformers and/or other service equipment necessary for the customer to take service at primary voltage of 2,300 volts or higher, a discount of 5 per cent of the gross bill as computed on the regular retail rate schedules will be deducted from said gross bill.

2. That the rates herein authorized be made effective for service furnished on and after the first meter reading date following the date of the order.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re Kuhns Transfer, Incorporated

Application Docket No. 24874, Folder 4
January 24, 1944

APPPLICATION to have Commission set aside its assessment and to stay pending proceedings relating thereto; application dismissed.

Procedure, § 39 — Waiver of time limitation — Objection to Commission assessment.

The time limitation imposed for filing exceptions to assessments made by the Commission may not be extended by the Commission.

By the COMMISSION: It appears that following the failure of Kuhns Transfer, Inc. (A. 24874, Folder 4) to pay its general assessment for 1939-40 in the amount of \$381.94 or to file formal objections thereto within the statutory period of fifteen days,

a rule was instituted against the carrier on June 1, 1943, and a hearing was held thereon on July 26, 1943.

On July 22, 1943, a petition was filed by the carrier; asking that the Commission, (a) set aside the assessment and make a new one on the basis

RE KUHN'S TRANSFER, INC.

of reduced assessable revenues; and (b) stay the proceedings on the rule to show cause pending disposition of the petition. This petition is now before us for disposition.

Under the provisions of § 1201(c) of the Public Utility Law, as amended by the act of July 8, 1941, PL 280, exceptions to any assessment made by the Commission must be filed within fifteen days after receipt of notice of such assessment by the party against which the said assessment had been made. Since the petitioner did not file its objections to the assessment within the 15-day period provided by law, the Commission did not accept same thereafter. It has been repeatedly held by the appellate courts of this commonwealth that a court or an administrative Commission has no power or authority to extend the limitation imposed by the legislature: *Beaver Valley Water Co. v. Public*

Utilities Commission (1940) 140 Pa Super Ct 297, 35 PUR(NS) 119, 14 A(2d) 205, and cases therein cited.

In the instant case the objections having been filed too late, they, quite properly were not accepted and are therefore not before the Commission for consideration. The effect of granting the petitioner's prayer would be to authorize the nullification by the Commission of its assessment after the limitation period had expired and after the assessment had become final. The period for filing objections could not be extended, for that would be nullifying the limitations imposed by the statute. The petitioner had his opportunity, but did not exercise it.

The assessment having been made in accordance with the law on the basis of revenues reported by the petitioner, under oath, must stand and the petition is dismissed.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re Transportation by Aircraft

April 11, 1944

STATEMENT of policy with regard to processing of applications for certificates to furnish transportation by aircraft.

Certificates of convenience and necessity, § 101.2 — Aircraft transportation — War conditions — Priorities.

Applications for certificates of public convenience to furnish transportation by aircraft will not be disposed of and further hearings will not be scheduled, during a war period when development and adaptability of aircraft for public use and the pattern of competitive surface transportation may be subject to material change, unless it can be demonstrated that aircraft equip-

PENNSYLVANIA PUBLIC UTILITY COMMISSION

ment and facilities are presently on hand or currently available for purchase; and priority in the filing of such applications will not be controlling in granting the rights sought.

By the COMMISSION: The Commission having pending before it, in various stages of development, certain applications for certificates of public convenience to furnish transportation of passengers and property for compensation by aircraft;

And it appearing that the aircraft equipment and facilities which the applicants propose to use, in rendering service to the public, are not presently available and will not be available for commercial use for the duration of the war and sometime thereafter;

And it appearing further that a considerable lapse of time may occur between the date when public convenience and necessity for the service may be shown and the date when aircraft equipment and facilities may actually become available with which to meet such necessity, with the result

that, in the interim, both the development and adaptability of aircraft for public use, and the pattern of competitive surface transportation, may be subject to material change; therefore,

The Commission deems it advisable to make the following statement of policy with regard to the processing of pending and future applications:

1. Unless it can be demonstrated that the aircraft equipment and facilities which applicants intend to employ in serving the public are presently on hand or currently available for purchase, pending applications will not be disposed of and no further hearings will be scheduled either on pending applications or on those subsequently received.

2. That priority in the filing of such applications will not be controlling in granting the rights sought.



Kuhlman power transformers and Detroit Rocking Electric furnaces, both products of the Kuhlman Electric Co., are a great team for speeding up foundry production in war as well as in peace. The five OISC transformers shown here are on their way to an important production job. Each is rated 250 KVA, 2500 Secondary Amperes and 6900/13,800—100 volts, single phase, 60 cycle with external tap changers for adjusting both primary voltage and reactance.

Tested and proven for over 25 years, there are more than a thousand Detroit Electric Furnace installations operating today throughout the world. Fast, versatile, flexible and efficient, Detroit furnaces are available in capacities from 10 to 8000 lbs. molten metal capacity for melting both ferrous and non-ferrous metals and alloys. They improve castings quality, save labor, save floor space and permit the use of salvage materials. Write for complete facts regarding present day and post-war applications.



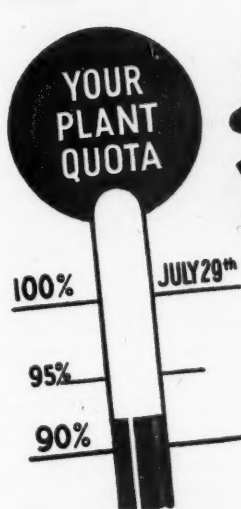
Kuhlman

ELECTRIC COMPANY • BAY CITY, MICHIGAN

ly 6,

KUHLMAN Transformers and DETROIT Rocking Electric Furnaces Speed Foundry Production





Stay at Your Battle Stations!

MANAGEMENT • LABOR

—The 5th War Loan Drive is still on. July 29th is the last payday in the drive.

The U. S. Treasury has set the overall goal at \$16,000,000,000-\$6,000,000,000 from individuals alone. This is the biggest sum ever asked of the American people—and it must be raised!

Keep fighting. Tighten up your 5th War Loan Drive organization. Step up your solicitation tempo. Drive! Drive!! Drive!!! Hit your Plant Quota's 100% mark with a bang that'll proclaim to all the world that the U. S. Home Front is solidly in back of the Fighting Front.

Need help? Need ideas? Call on the Chairman of your War Finance Committee.

Here's the Quota Plan:

1. Plant quotas are to be established on the basis of an average \$100 cash (not maturity value) purchase per employee.
2. Regular Payroll Savings deductions made during the drive accounting period will be credited toward the plant quota.
3. Employees are expected to contribute toward raising the cash quota by buying extra 5th War Loan Bonds: 1—Outright by cash. 2—By extra installment deductions. 3—By extra installment deductions plus cash.

Example: JOHN DOE Mfg. Co. — 1,000 Employees
 1,000 employees x \$100-\$100,000 Cash Quota
 Regular Payroll deductions 30,000
 during the eight weekly payroll accounting periods of June and July. \$70,000 (to be raised by sales of extra Bonds)

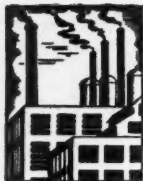


BACK THE ATTACK—SELL MORE THAN BEFORE

The Treasury Department acknowledges with appreciation the publication of this message by

PUBLIC UTILITIES FORTNIGHTLY

This is an official U.S. Treasury adv.—prepared under the auspices of Treasury Department and War Adv. Council



Industrial Progress

Selected information about products, supplies and services offered by manufacturers. Also announcements of new literature and changes in personnel.



To Make CP Gas Ranges

THE Association of Gas Appliances & Equipment Manufacturers announces that the A. J. Lindemann & Hoverson & Company, Caloric Gas Stove Works, Gurney Foundry Company, Ltd., Roberts & Mander Stove Company, and Western Stove Company will make gas ranges meeting Certified Performance specifications. This brings to 20 the number of manufacturers who will build postwar gas ranges bearing the CP seal. These 20 manufacturers produced approximately 50 per cent of the 2,300,000 gas ranges made in 1941.

The other manufacturers included in this group are: A-B Stoves, Inc., American Stove Company, Clare Bros. & Company, Ltd., Cribben & Sexton Company, Detroit-Michigan Stove Company, the Estate Stove Company, Glenwood Range Company, James Graham Mfg. Company, Grand Home Appliance Company, Hardwick Stove Company, Moffats, Ltd., O'Keefe & Merritt Company, Geo. D. Roper Corporation, Standard Gas Equipment Corporation and the Tappan Stove Company.

Westinghouse Managers Retire

EMERY W. LOOMIS, Middle Atlantic district manager of Westinghouse Electric & Mfg. Co. has announced the retirement of William Pearsol Cochran, Central Station division manager, and Franklin Pearce Bell, Middle Atlantic district treasury manager.

Mr. Cochran joined Westinghouse in 1905 and, with the exception of an interval of two years during which he was in business for himself, has been with the company since that time.

Mr. Bell has been employed with Westinghouse since 1894. Starting as a stenographer in the treasury department, East Pittsburgh, Pa., he later became chief correspondent and office manager. In 1915 he was transferred to Philadelphia, where he has been employed as Middle Atlantic district treasury manager until the time of his retirement.

AGA Coördinator Named

H. VINTON POTTER, general sales manager, H. Fall River Gas Works Company, Fall River, Massachusetts, has joined the American Gas Association as coördinator of the efforts of the manufacturers and utilities in developing the coördinated gas kitchen program sponsored by the Association's postwar planning committee.

In his new affiliation Mr. Potter succeeds C. V. Sorenson, chairman of the Association's residential gas section, who since February has devoted his time to promoting interest throughout the gas industry in the coördinated gas kitchen program.

A special committee under the chairmanship of John H. Warden, vice chairman of the residential gas section and sales manager of the Oklahoma Natural Gas Company, Tulsa, Oklahoma, has charge of the promotional aspects of this program.

New South Bend Lathe Catalog

A NEW condensed catalog covering all lathes manufactured by the South Bend Lathe Works has just been issued. This 8-page, file size catalog illustrates and describes engine lathes, toolroom lathes, and precision turret lathes, toolroom lathes, and precision turret toolroom, and maintenance work.

The engine lathes and toolroom lathes are made in five sizes with 9 in., 10 in., 13 in., 14½ in., and 16 in. swing, and with bed lengths from 3 ft. to 12 ft. The precision turret lathes have 9 in. and 10 in. swing with ½ in. and 1 in. maximum collet capacity. Considerable space is devoted to lathe attachments for special classes of work.

Copies of this new catalog, No. 150, can be obtained by writing to the South Bend Lathe Works, South Bend 22, Indiana.

Postwar Unemployment Plan

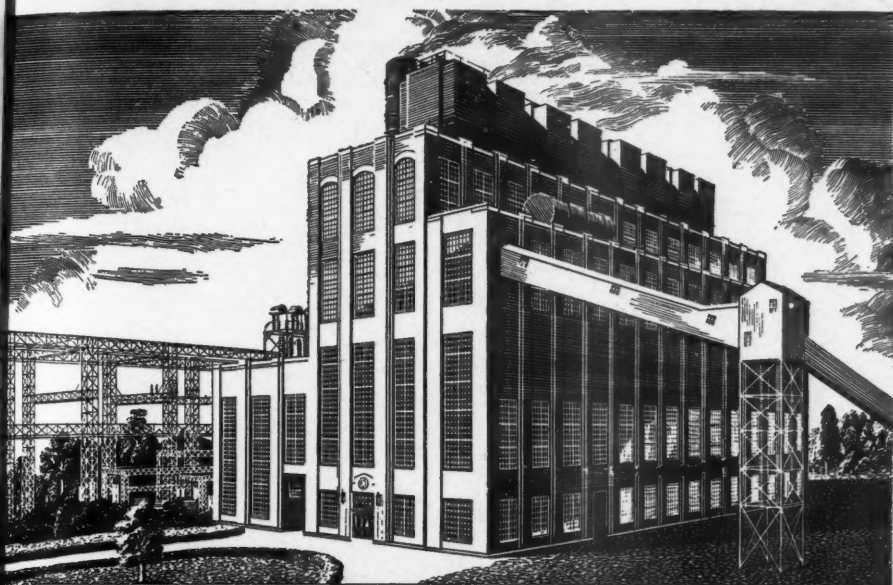
A PLAN for withholding a percentage of present war production profits for the postwar benefit of returning veterans and unemployed war workers was outlined by Col. Willard F. Rockwell, Pittsburgh and Detroit industrialist, during a luncheon at the Waldorf-Astoria, attended by business leaders, labor representatives, and members of the press.

In essence, the "Rockwell plan" provides that war producers shall be permitted to withhold from profits, after taxes and dividend or in-

DICKE TOOL COMPANY DOWNERS GROVE, ILL.

Manufacturers of
Pole Line Construction Tools
They're Built for Hard Work

Mention the FORTNIGHTLY—It identifies your inquiry



\$4,000,000 FOR WAR POWER *and for the Needs of Peace*

NOW under construction as a war project is a 60,000-kilowatt steam-electric generating plant, being built as an addition to the Atkinson Plant of the Georgia Power Company. Located near Atlanta, Plant Atkinson is the principal source of power supply for the huge Bell bomber plant and other war industries in the Atlanta area.

The new unit, which will cost more than \$4,000,000, is made necessary by the mounting demands of these war industries.

The Atkinson unit is only part of

our construction program of war and post-war projects whose total cost will be \$12,000,000. Included in this program is \$1,000,000 for 800 miles of rural lines to serve 3,400 farms; three big new 110,000-volt transmission lines and the complete modernization of Atlanta's city transportation system.

While much post-war planning is still in the talking stage, this Company has gone ahead, converting talk into definite projects, ready for immediate action as soon as wartime conditions permit.

GEORGIA POWER COMPANY

Atlanta, Georgia

sums ranging up to one week's average wages or salary for each month an employee has worked in a war plant, with a maximum withholding of 24 weeks' wages for each employee who has worked a minimum of two years.

Col. Rockwell is at the present time vice chairman of the Industry Associations Committee of the War Manpower Commission. He was, until January 1, 1944, Director of Production of the U. S. Maritime Commission and was also a member of the Executive Committee of the Army and Navy Munitions Board and the Material Requirements Committee of the WPB. He is chairman of the boards of the Timken-Detroit Axle Company, the Standard Steel Spring Company, the Pittsburgh Equitable Meter Company, the Hupp Motor Company, and the Merco-Nordstrom Valve Company. He is also a director of a long list of banks, insurance companies, and other concerns.

Brown Branch Manager Named

V. H. HIERMEIER has been named industrial manager of the St. Louis office of the Brown Instrument Company, Philadelphia precision industrial instrument division of Minneapolis-Honeywell Regulator Company.

Mr. Hiermeier, who succeeds I. K. Farley,

has had fifteen years' experience in the industrial instrument field. For the past few years he has been with the Brown Company in its Chicago office. Mr. Hiermeier is credited with doing much to help Purdue University establish and operate an instrumentation course.

Kuhlman Promotions Announced

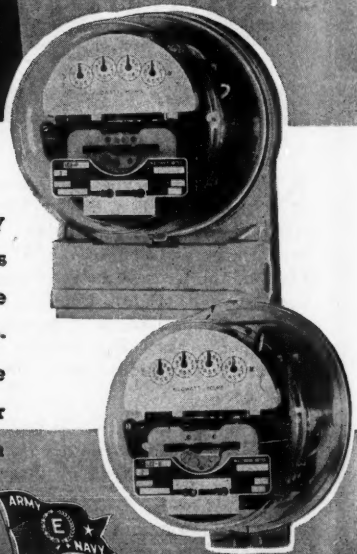
KUHLMAN Electric Company of Bay City, Michigan, manufacturers of power and distribution transformers and Detroit electric rocking furnaces announces the promotion of W. I. Foss, Jr., A. H. Ellerman, J. H. Steele, and J. E. Bevan.

Mr. Foss, for sixteen years assistant sales manager, has been made sales manager of the transformer division, while A. H. Ellerman has been appointed assistant sales manager of the transformer division. Mr. Ellerman for the past two years was consultant for the transformer section, power division, of WPB and formerly was assistant sales manager, transformer division of Wagner Electric Corporation, St. Louis, Missouri.

Mr. Steele, for six years a designing engineer in the engineering department at Kuhlman has been transferred to the sales department transformer division. And Mr. Bevan, former vice president in charge of production

★ THE Future OF MODERN METERING

THE cooperation of the electric utility industry with the watt-hour meter manufacturers has kept the design and development of the modern watt-hour meter well ahead of metering requirements. Thanks to this cooperative spirit, watt-hour meters will again play their important part in system modernization when normal times are once more restored.



SANGAMO ELECTRIC COMPANY

SPRINGFIELD - ILLINOIS

JULY 6, 1944

Mention the FORTNIGHTLY—it identifies your inquiry

**KEEPS TRUCKS
OUT OF THE SHOP
AND
ON THE ROAD**



INTERNATIONAL Truck Service Heads Off Trouble



GOT TRUCK TROUBLE? Want to save time and money and get the last possible pay-ounce out of your trucks? Then use International Truck Service. Furnished by more than 4,500 dealers and 250 International Truck branches.

These truck branches form the nation's largest company-owned truck service organization. They are truck *bases*, stocked with parts, and equipped with special inspection tools and repair and reconditioning machines. They are staffed by service men wise in the know-how of finding and fixing hidden snags that can cost you time and money later.

International Truck Service keeps trucks where they should be, on the road, delivering loads on time and at a profit. It finds

and corrects little troubles before they become big ones. It uses genuine International parts, which wear better and fit better because they are just like the originals.

Save yourself grief, time and money by going now to an International Truck dealer or branch and arranging the kind of service that keeps trucks on the job.

INTERNATIONAL HARVESTER COMPANY
180 North Michigan Avenue Chicago 1, Illinois

NEW TRUCKS—LIMITED!

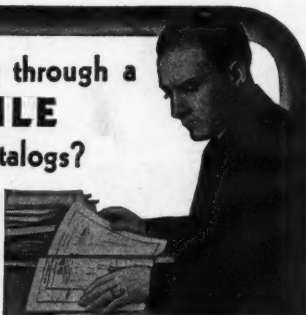
The government has authorized the manufacture of a limited quantity of trucks for civilian hauling in essential occupations. But don't count too much on getting these trucks. Meanwhile, make sure every ounce of maintenance protection is given the Nation's trucks.

INTERNATIONAL Trucks

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Why dig through a PILE of Catalogs?

Find the
Fitting
you need,
quickly—



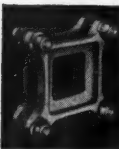
in the COMPLETE line

If you have a Penn-Union Catalog, you can instantly find practically every good type of conductor fitting. These few can only suggest the variety:



Universal Clamps to take a large range of conductor sizes; with 1, 2, 3, 4 or more bolts.

L-M Elbows, with compression units giving a dependable grip on both conductors. Also Straight Connectors and Tees with same contact units.



Bus Bar Clamps for installation without drilling bus. Single and multiple. Also bus supports—various types.

Clamp Type Straight Connectors and Reducers, Elbows, Tees, Terminals, Stud Connectors, etc.



Jack-Knife connectors for simple and easy disconnection of motor leads, etc. Spring action—self locking.

Vi-Tite Terminals for quick installation and easy taping. Also sleeve type terminals, screw type, shrink fit, etc. etc.



Splicing Sleeves, Figure 8 and Oval, seamless tubing—also split tinned sleeves. High conductivity copper; close dimensions.

Preferred by the largest utilities and electrical manufacturers—because they have found that "Penn-Union" on a fitting is their best guarantee of Dependability. Write for Catalog.

PENN-UNION ELECTRIC CORPORATION
ERIE, PA. Sold by Leading Jobbers

PENN-UNION

CONDUCTOR FITTINGS

in the Bethlehem plant of Roller-Smith Company is now manager of Kuhlman's New York office. He replaces the late D. F. Potter, Jr., who had been in charge of that office for almost twenty years.

Mobile Power Plant for Russia

A TURBINE-ELECTRIC power plant, embodied in a train of ten railroad cars that can be quickly transported to devastated areas and provide power and light within a few hours, was delivered on June 1st to the Soviet government at the Berwick, Pennsylvania, plant of the American Car & Foundry Company.

Arriving at its designated point, the power plant can be ready in eight hours to provide 3,000 kilowatts of electric power for lighting, power, hospitals, sanitation, and rehabilitation work for which electric power is essential. Locomotive boiler cars, tenders, a turbine and condenser car, switchgear car, and cooling tower cars compose the train together with a crew-maintenance car to provide living quarters for the train personnel.

National Security Award Made

EMPLOYEES and management of the Sharon plant of the Westinghouse Electric & Mfg. Co. were cited recently for "patriotic zeal beyond the ordinary call of duty" as the Office of Civilian Defense presented the National Security Award in recognition of outstanding performance in the establishment and maintenance of measures for plant security and protection.

"Unit Sub-Builder"

NEW scale models of unit substation equipment will soon help executives and plant engineers work out perplexing power distribution problems, enabling them to "build" unit substations right on their desks, according to an announcement by Allis-Chalmers. Accurately scaled $\frac{1}{2}$ inch to one foot and exactly like the dozens of units needed in substation layouts, the models have been created by Allis-Chalmers to eliminate the complexity and drudgery from planning power distribution systems. Allis-Chalmers field engineers will carry the models in sets which will also include single-line diagrams of possible unit substation arrangements, layout sheets scaled to the same dimensions as the models, and a "check list" providing other necessary engineering data.

Requests for demonstrations of the "Unit Sub-Builder" sets in the field are now being filled by Allis-Chalmers engineers.

(Continued on page 42)

"MASTER*LIGHTS"

- Portable Battery Hand Lights.
- Repair Car Roof Searchlights.
- Hospital Emergency Lights.

CARPENTER MFG. CO.

197 Sidney St., Cambridge, Mass.
"MASTER*LIGHT*MAKERS"



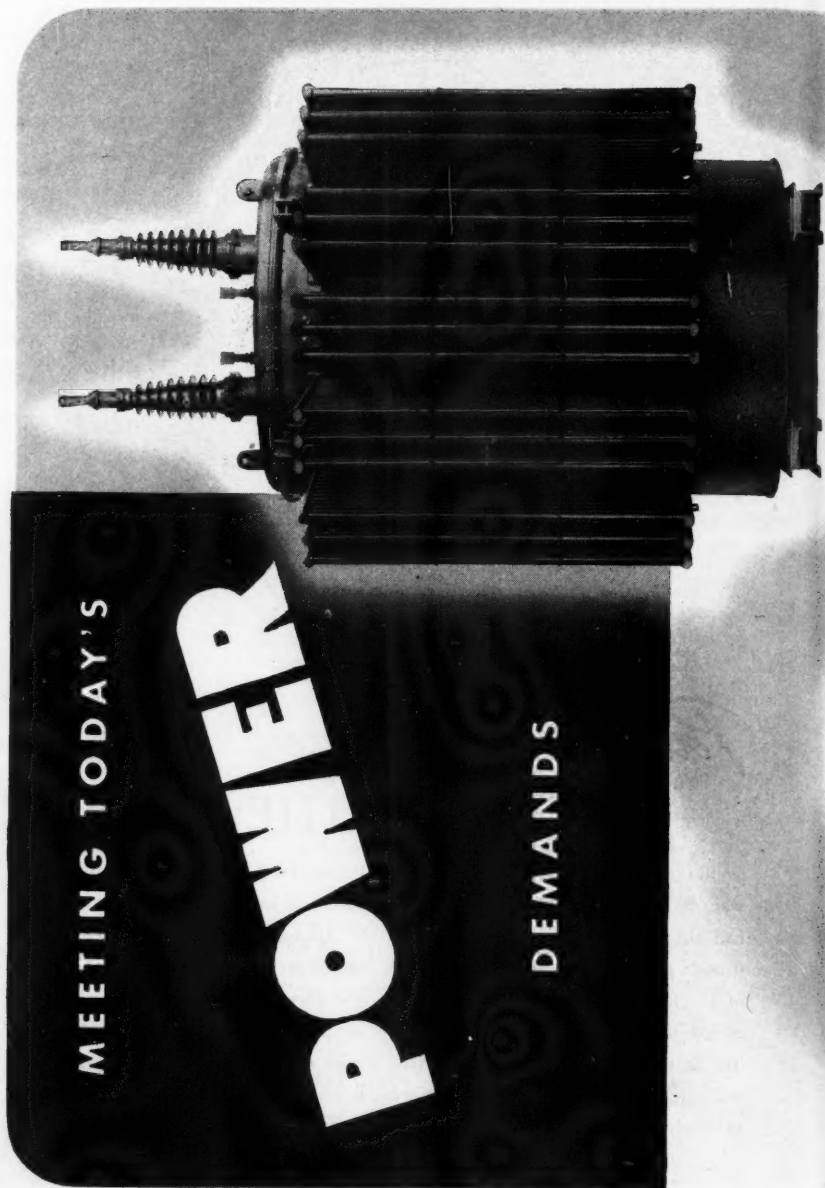
Past Performance REFLECTS THE FUTURE

In the years immediately preceding the war, Potomac Electric Power Company had already embarked upon a large expansion program. This program was born of the farsightedness and prudent planning of its Board of Directors and Officers. The advent of war placed an immediate and critical demand upon the Company to supply adequate electric service to a city

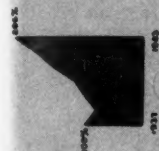
literally mushrooming in its growth. That need was met — completely, unfailingly!

All indications point to Washington as one of the world's great cities of the post-war period. The need for a continuing and adequate supply of low-cost electricity must and will be met. We sincerely and wholeheartedly believe that our past performance reflects our future responsibility.

POTOMAC *Electric* **POWER**
COMPANY
Mitchell Service



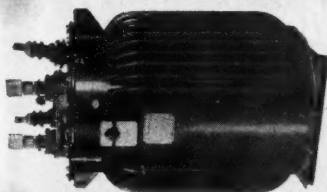
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Electric Power is the life-line of our Country's war effort. Fulfilling its mission as the "Arsenal of Democracy", the United States has undertaken an industrial program of staggering proportions. The demands for electric power have been increasing at an amazing rate. The Utilities are meeting this situation completely and efficiently. Although the reserve power capacity is appreciably reduced and the available equipment overloaded, the entire power supply system is kept in a highly satisfactory running condition by the untiring efforts of the Utility organizations.

Pennsylvania Transformer Company is proud to have a part in assisting the Power Companies during this period — by furnishing dependable transformers capable of carrying heavy overloads safely.

(Statistics shown in graphs courtesy of E.E.I.)



Increase in Small Commercial and Industrial Power Consumption.



Increase in Domestic Power Consumption.

Pennsylvania
TRANSFORMER COMPANY

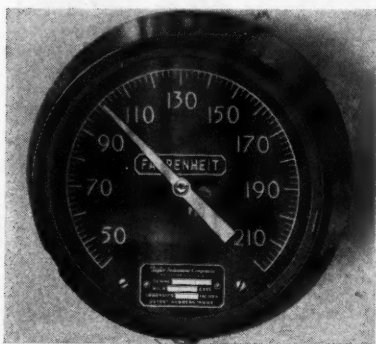
PITTSBURGH PENNSYLVANIA



Write for our Distribution
Catalog No. 142.

Taylor Announces 4½-in. Dial Thermometer with Plastic Case

ORIGINALLY built for and extensively used by the shipbuilding industry is Taylor's new 4½-in. Phenolic case dial thermometer. This mercury actuated instrument is built to



withstand severe operating conditions. Available with accuratus tubing, it is claimed to be especially suited to installations requiring a long length of tubing between the bulb and the instrument.

The plastic case is resistant to corrosion and shock. To make reading at a distance easy the metal dial is finished in black with white figures.

Heacon Catalog Helps to Solve Bulk Cement Plant Bulletin

A NEW, illustrated Heacon damper catalog issued by the Thermix Engineering Co., Greenwich, Conn., provides much helpful data on modern industrial damper problems. Of particular interest are a number of case histories and diagrams showing how proper damper installations have resulted in increased efficiencies on a wide variety of applications.

Discussions of such factors as binding in dampers, warped shafts, dynamic balance, power requirements, and simplified maintenance of damper installations will prove helpful to plant engineers and others charged with obtaining maximum efficiency in this important phase of plant operation.

A copy of the catalog will be sent on request to the Thermix Engineering Company, Greenwich, Conn.

Bulk Cement Plant Bulletin

DESCRIBING complete bulk cement plants and cement handling equipment, a bulletin recently issued by the C. S. Johnson Company, Champaign, Ill., gives complete details and useful information on this specially engineered equipment.

Offering quick, convenient handling with a minimum of manpower and time, these Johnson cement chargers, Dutchmill plants, bins and silos are sized to fit any on-the-job requirements. Much of this equipment can be purchased in small units, then enlarged as needed.

Copies of this bulletin may be had upon request by writing to the manufacturer.

New American War Standard

A NEW American War Standard to provide safety in electric and gas welding and cutting operations has been approved by the American Standards Association. This standard was developed to protect workers from injury and health impairment and to safeguard property from fire or other damage arising out of the installation, operation and maintenance of electric and gas welding and cutting equipment.

"Sally Silex" Makes Debut

"SALLY Silex" is the pert new trade character now being featured in an extensive advertising campaign by The Silex Company, originators of the glass coffee maker industry. "Sally" is scheduled to be presented in fully 180,000,000 national magazine impressions during 1944.

The slogan "Only a Genuine Silex can make Silex Coffee" will also be an important part of the advertising, as well as the window and store displays.

Maximum H₂S removal per lb. of Oxide!

• Lavino Activated Oxide is made specifically for maximum sulphur removal... is not just a "satisfactory" purifying medium merely by virtue of incidental properties, but is made especially for maximum capacity and activity, maximum trace removal and shock resistance. As such, we do not believe you will find Lavino Activated Oxide has any close rival — comparing cost, comparing performance and comparing savings.

We'll be glad to tell you all about its remarkable record, just write a note on your letterhead to

E. J. Lavino and Company



1528 Walnut St.
Philadelphia
Penna.

Mention the FORTNIGHTLY—It identifies your inquiry

Cleanliness is *NATURAL*



woodland pool . . . water that bubbles up,
 crystal clear . . . water that comes, filtered,
 from deep in the ground!

A natural pool is a perfect example of
 cleanliness.

So is *NATURAL GAS*, from deep in the
 ground—and filtered as pure spring water is

filtered; and then processed into the *clean fuel*
 which you use in your home for heating, hot
 water, refrigeration and cooking.

When Processed Natural Gas is the fuel, and with proper
 adjusted burners—pans retain their lustre. Proof that
Natural Gas, processed for
 your range, is the *clean fuel*

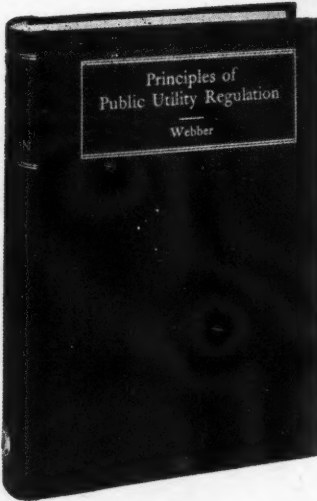


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* * *

Right here on Long Island we had an excellent example of the results of such planning. After war broke, almost overnight, there was a sudden cry for more electric power — from the expanding war industries, by new factories that were being hurriedly built, and from both the Army and Navy themselves. Fortunately, all these demands were met and there was still adequate electric power available for our regular household and commercial users. All because during the ten years previously our productive capacity had been enlarged to keep step with Long Island's phenomenal growth.

* * *

Even now, we are looking ahead and planning for the day when our plant capacity and facilities must be increased still further to meet the greater peacetime needs for electric power which are certain to come when the war ends; getting ready for the time when electricity will make even greater contributions to the comfort of our daily living.

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D U S T—UNDER CONTROL

Dust is a natural nuisance, ever present throughout a changing universe where forces of disintegration and destruction somehow intermingle with constructive processes, striking a balance to perpetuate our world in spite of the: "—to dust returneth" pronouncement on all animate and inanimate things.

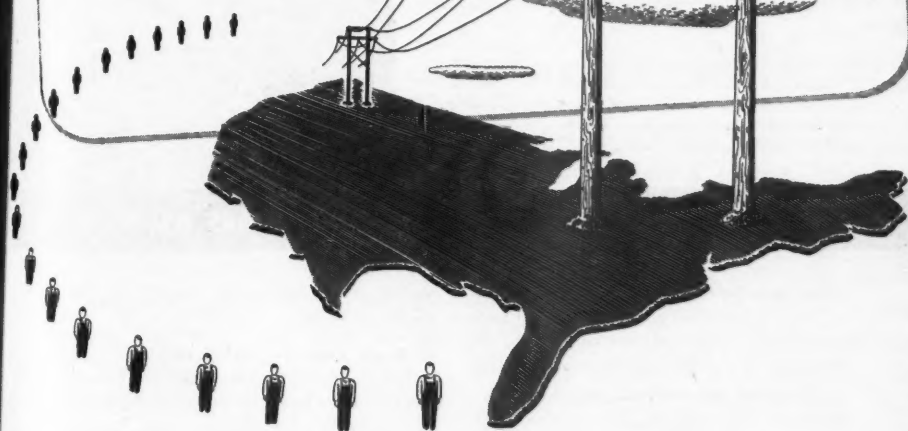
If it were possible to make a complete analysis of every minute particle in a handful of city dust, we would likely find traces of all the elements in varying proportions, and no small number of disease bearing bacteria, including many corrosive substances. If it were also possible to trace the source of each particle, it would present a series of pictures to challenge the imagination.

Whatever else may be said of dust, in this instance we are concerned with its effect upon electrical contacting surfaces. When dust is present, the efficiency of the contacts is impaired and the life of their usefulness is shortened. Where the dust is eliminated as in the case of a Mercoid hermetically sealed mercury switch, the contacting surfaces are always constant in their efficiency and the life of the switch is prolonged indefinitely.

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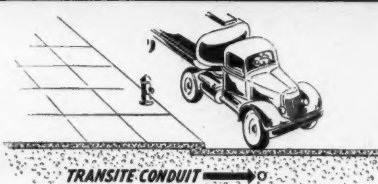
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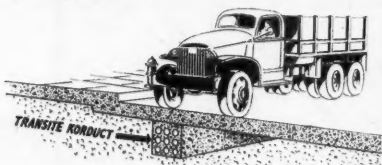
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SMALL compared with the supreme sacrifices of the men on the fighting fronts on land and sea, the production accomplishments of men and machines in American industry have made their successes possible. Behind the production, and never too little or too late, is the gigantic massing of electric power—over 80 per cent of it supplied by business managed electric power companies.

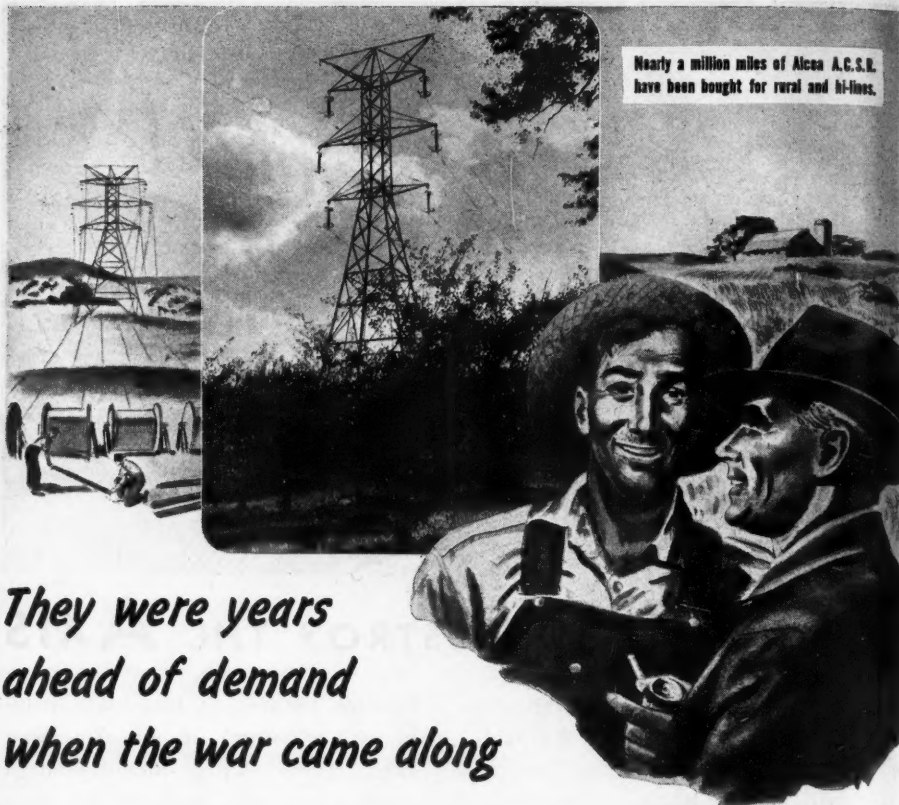
Possible because of long-range planning and teamwork in the American Way — teamwork that includes all of our employees from those on far-flung battle fronts to those with their hands on the switches that release the power to war industries. We will continue this support, for here in America we have *more electric power than the Axis Nations and all their satellites combined.*

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apparatus, all have been overloaded to the point of exhaustion, cancelling much from their life expectancy, but carrying the country over the hump.

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So, hats off to the public utilities! They've done a marvelous job.

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MORE POWER FOR VICTORY

*And for the Peace-time Industrial
Development to follow*

ON MAY 26, the electric utility property of the Virginia Public Service Company, serving a large area of the State of Virginia with electric light and power, was merged with that of the Virginia Electric and Power Company.

For many years it has been recognized that the combination of these two companies into a single operating unit would be beneficial to the public, the consumers and the employees in that the merger would result in a strong, sound, integrated company, capable of providing the area served with the most reliable and adequate electric service at lower rates than would otherwise have been possible.

So, today—the Virginia Electric and Power Company is serving 977 communities, instead of 549, in Virginia, West Virginia and North Carolina . . . 29,666 square miles of territory, instead of 13,500 . . .

334,972, electric customers, instead of 198,099. And so on. It is operating seven electric steam stations and fifteen hydro stations. Over 435,000 kilowatts capacity altogether. Much of this electric power has been developed in this territory incident to the war needs. This is a vital area and the Government is now the largest single user.

The geographic conditions and natural advantages, plus the ample supply of electric power now devoted so largely to the prosecution of the war—will . . . when the war is over . . . prove equally advantageous to peace-time industries seeking location or re-location where there is adequate rail, water and motor-bus transportation, equable climate conditions, good native labor and ample and dependable electric power.

Those who are now making post-war plans for industrial expansion . . . whether it be the construction of a new plant or the re-location of present facilities . . . will find the area served by the power system of this company well worthy of examination and study at this time.

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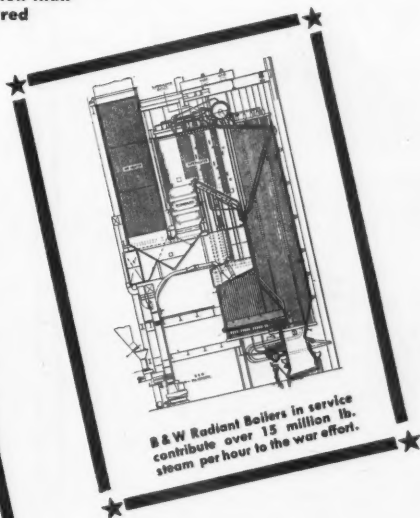
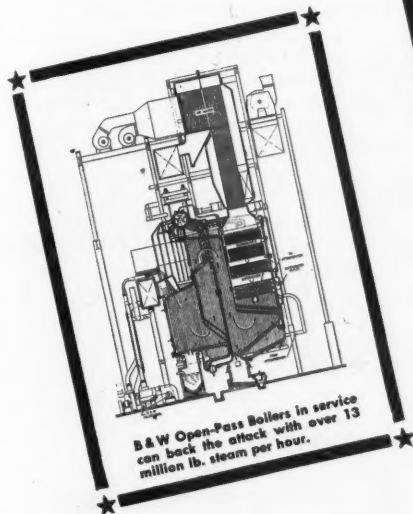
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ATTACK...with POWER

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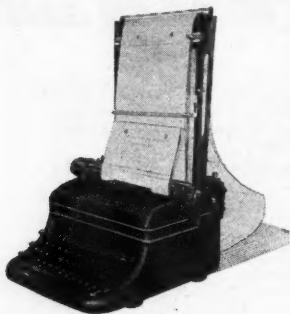
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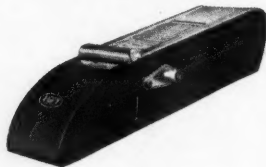
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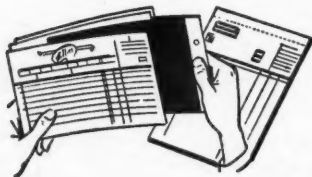
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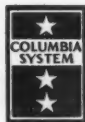
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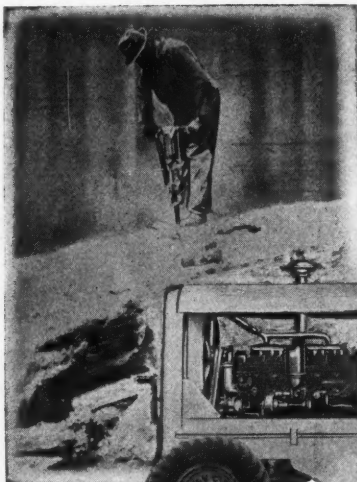
Columbia's operations extend throughout more than 1600 communities, serving a population in excess of 5,000,000.

In a very real sense, Columbia System is a publicly owned enterprise. It is responsible to 82,000 shareholders, living in all 48 states, 5 domestic possessions and many foreign countries.



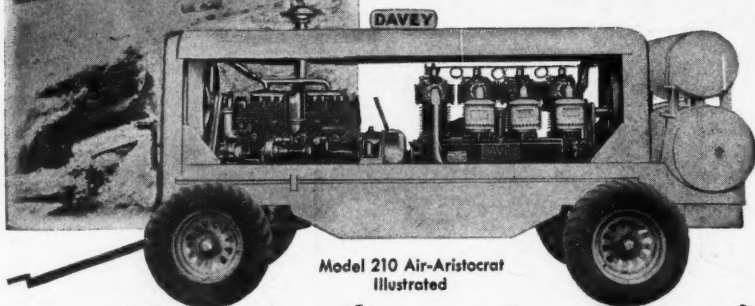
Columbia System's 1943 gas sales . . . 187,280,477 Mcf;
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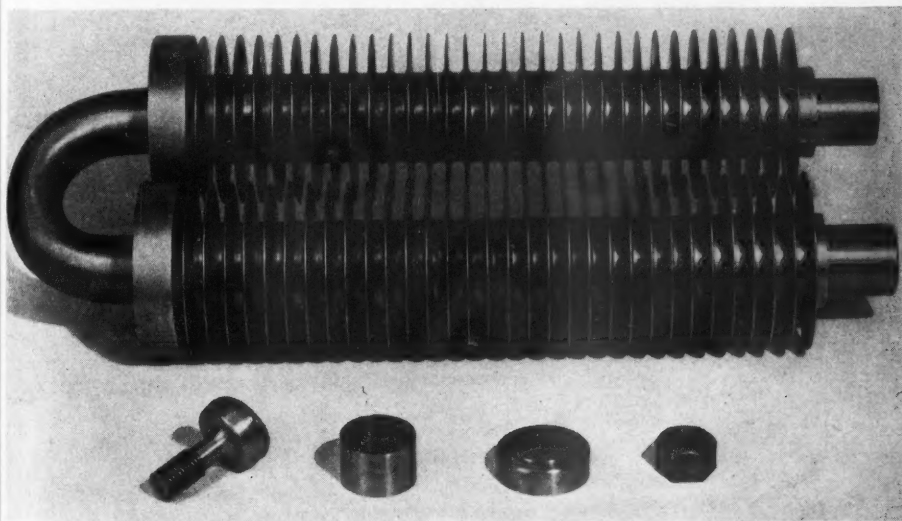
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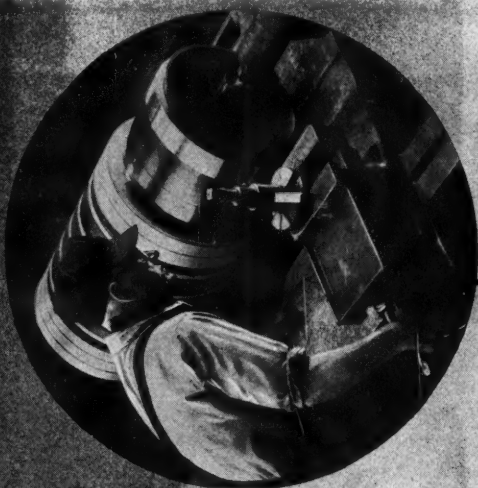
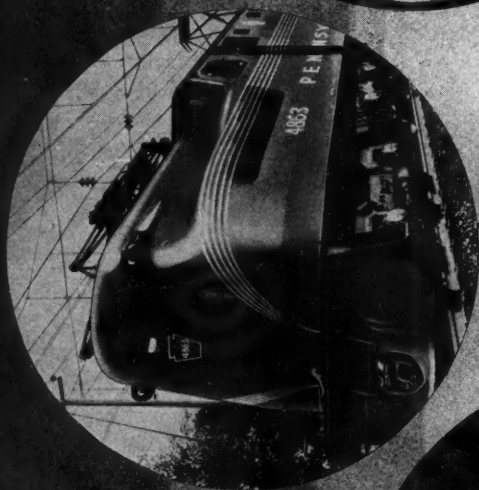


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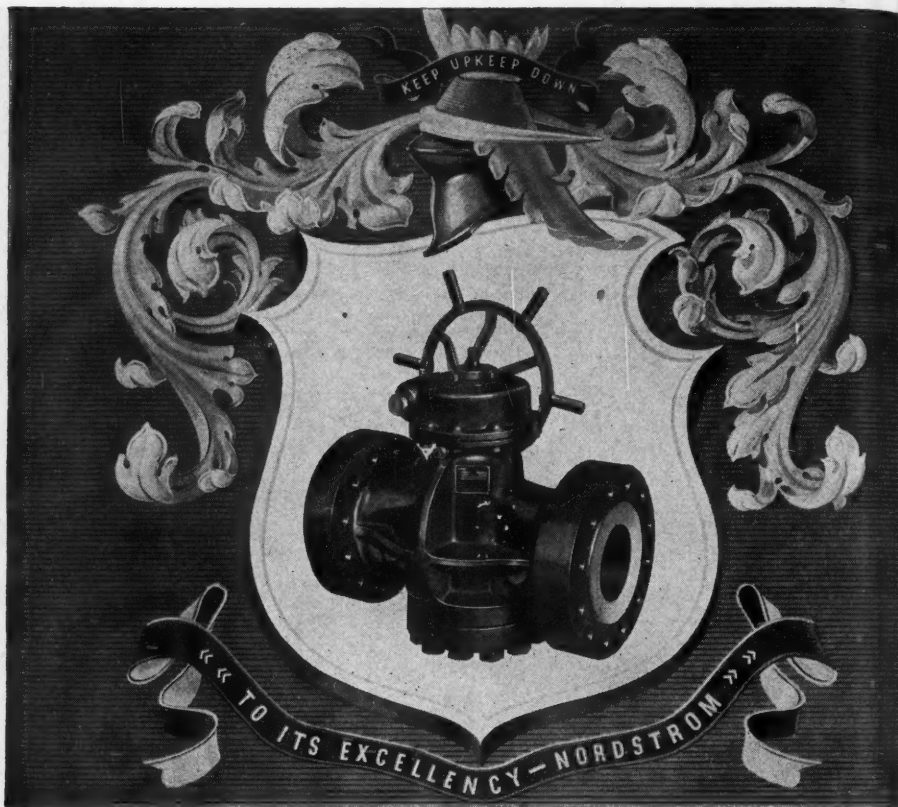




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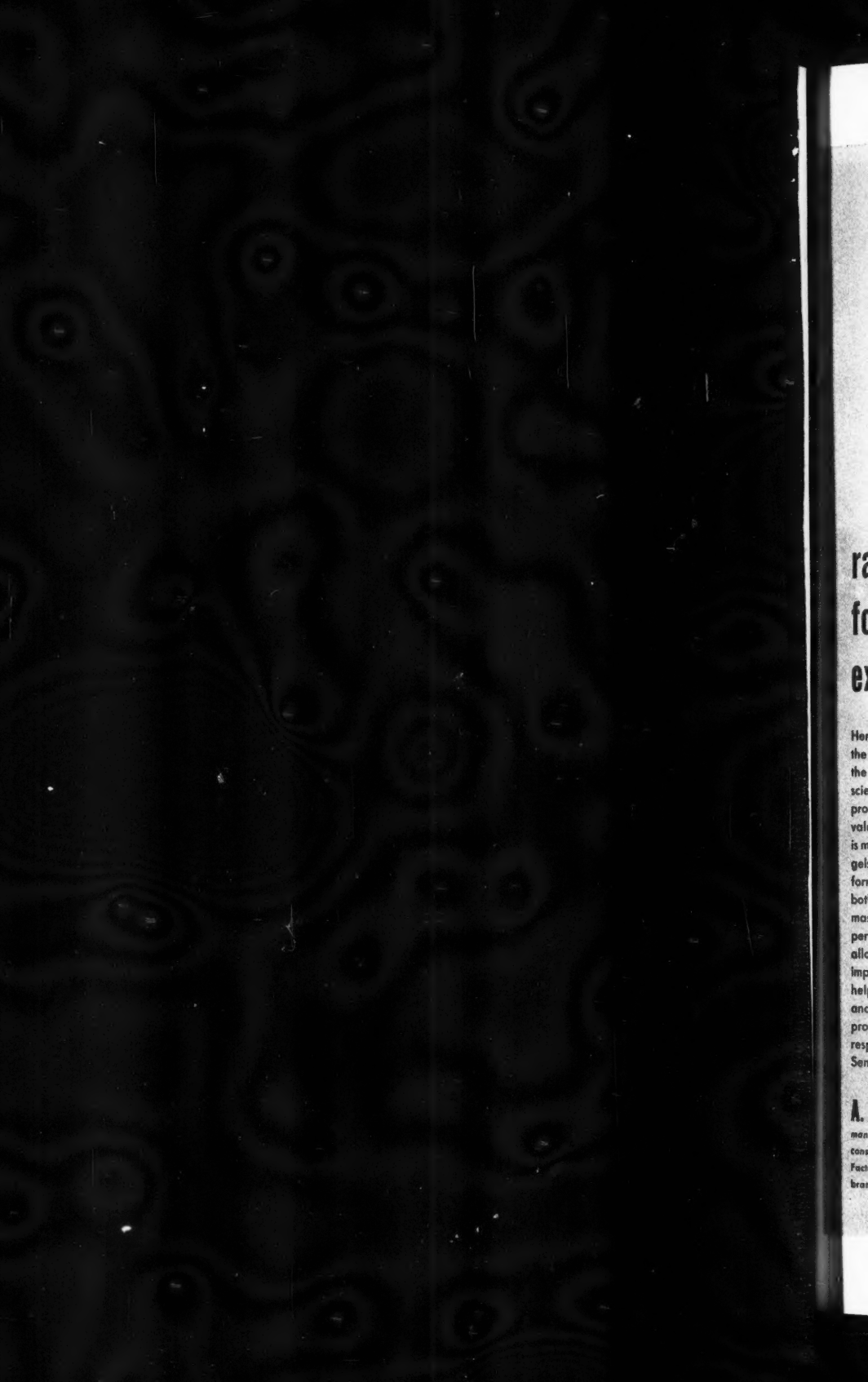
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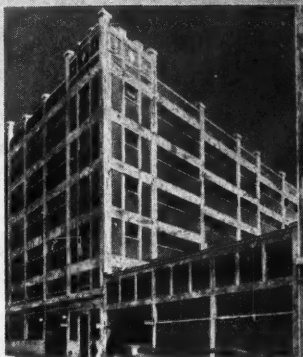




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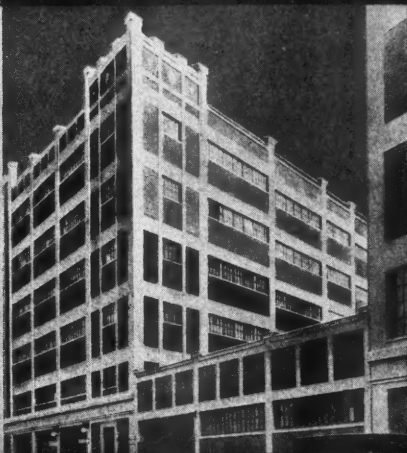
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